CHOPPIES

*Great value for your money!*


# Integrated Annual Report **2023**

# Choppies Group is the largest employer in Botswana after government




**Corporate information**
(Registration number: BW00001142508)

**BSE**
ISIN: BW0000001072
Share code: CHOP-EQO
Bloomberg code: CHOPPIES BG EQUITY
Reuters code: CHOPP.BT
Listing date: January 2012

**JSE**
ISIN: BW0000001072
Share code: CHP
Listing date: May 2015
Total shares in issue: 1 824 461 674

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# ABOUT THIS REPORT

Choppies pledges to adhere to integrated reporting's guiding principles and philosophy in order to effectively address important stakeholder issues and concerns and produce long-lasting value for all parties.

## SCOPE AND BOUNDARY

The Integrated Annual Report 2023 provides an overview of our business, growth strategy, and our potential to create sustainable value for our stakeholders in the short, medium, and long term. It covers the period from 1 July 2022 to 30 June 2023. This Integrated Annual Report focuses on the issues that the Board of Directors believes are important to our stakeholders' understanding of the Company.

The disclosures encompass Choppies' retail network across all regions of continuing operations. The Annual Financial Statements are presented in Botswana Pula ("BWP") (unless otherwise stated), which is considered the functional currency.

There was no change to any measurement techniques nor were there any restatements of previously reported information except the one prior period error disclosed in note 42 of the Annual Financial Statements on page 184 and measurement of depreciation rates as detailed in note 1.3 of the Annual Financial Statements. Post-year-end, the Company acquired a 76% stake in Kamoso Group.

The boundary has been extended beyond financial reporting to encompass the material interests attributed to or associated with our key stakeholders in analysing the risks, opportunities, and outcomes that significantly impact the Group's potential to create value for its stakeholders.

## REPORTING FRAMEWORKS

This Integrated Annual Report is prepared in accordance with IFRS, the BSE Listings Requirements, the JSE Listings Requirements, the Botswana Companies Act, and the International Integrated Reporting Framework. Choppies complies in all material respects with the principles contained in the BSE Code of Best Practice on Corporate Governance as well as the King IV™* report, as encapsulated in the applicable regulations.

## ASSURANCE

The Company's external auditor, Mazars, has independently audited the Annual Financial Statements for the year ended 30 June 2023. Their audit report is set out on pages 118 to 125.

| Business process | Nature of assurance | Assurance provider |
|---|---|---|
| Consolidated Annual Financial Statements | External audit | Mazars |
| Internal audit | Independent outsourced | BDO |
| Health, safety and environmental audits | Compliance reviews | SHE Group |
| BSE Requirements | Compliance reviews | Stockbrokers Botswana Ltd |
| JSE Listings Requirements | Compliance reviews | PSG Capital |
| Lender due diligence | Legal and compliance reviews | Managed internally by the investment committee |
| Insurance due diligence | Independent risk reviews | Alpha Direct Insurance Company (Pty) Ltd |

## FORWARD-LOOKING STATEMENTS

This Integrated Annual Report contains forward-looking statements that, unless otherwise indicated, reflect the Group's expectations as at year-end. Actual results may differ materially from the Group's expectations. The Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these. The Group disclaims any intention and assumes no obligation to revise any forward-looking statement even if new information becomes available, other than as required by the BSE Listings Requirements and the JSE Listings Requirements or any other applicable regulations.

## SIX CAPITALS AND MATERIALITY

Through the effective and balanced use of essential resources and stakeholder relationships, or “capitals”, as described by the International Integrated Reporting Council’s <IR> Framework, we produce long-term sustainable value for stakeholders. We increase, decrease, or transform the six capitals through the execution of our business activities, as outlined in our business model on pages 36 and 37.

While this report is primarily aimed at our present and potential shareholders, it also takes into account the information demands of our vast and diverse range of stakeholders who are critical to the Group’s long-term value development.

## OUR STAKEHOLDERS

For further information, please see pages 40 to 43.

| | |
|---|---|
| Customers | Regulators and Governments |
| Financiers | Communities |
| Suppliers | Media |
| Shareholders | Employee representation |
| Employees | |

## BOARD RESPONSIBILITY STATEMENT

The Choppies Board of Directors confirms its responsibility for the integrity of the Integrated Annual Report, the content of which has been collectively assessed by the directors who believe that all material issues have been addressed and are fairly presented.

The Board believes that the Integrated Annual Report was prepared in accordance with the <IR> Framework. The report, which remains the ultimate responsibility of the Board, is prepared under the supervision of senior management and subject to external assurance. The report is submitted to the audit and risk committee, which reviews and recommends it to the Board for approval having reviewed the contents, as well as the collation process, and with reliance on the assurance provided on the various reporting elements.

The directors confirm that Choppies complies with the provisions of the Botswana Companies Act or laws of establishment, specifically relating to its incorporation and is operating in conformity with its constitution and/or relevant constitution documents.

**Uttum Corea**
*Chairman*

**Ramachandran Ottapathu**
*CEO*

**Minnesh Rajcoomar**
*CFO*

### FEEDBACK

More information is available on our website: **www.choppiesgroup.com**. This year’s Integrated Annual Report is available on www.choppiesgroup.com.

We are committed to improving this report year on year. Therefore, we appreciate and encourage constructive feedback. Please forward comments to **vidya@choppiesbotswana.co.bw**.

For additional contact details please see page 198.

# FY2023 SALIENT FEATURES

## Financial highlights

Growth in Group retail sales up
**6.5%** to **BWP6 433 million**
(2022: BWP6 042 million)

Group profit after tax up
**3.4%** to **BWP150 million**
(2022: BWP145 million)

Group net cash generated from operating activities
**4.5%** to **BWP484 million**
(2022: BWP463 million)

Group EBITDA down
**10.2%** to **BWP467 million**
(2022: BWP520 million)

Botswana segment adjusted* EBITDA flat
at **BWP405 million**
(2022: BWP405 million)

Zambia segment adjusted* EBITDA up
**27.1%** to **BWP75 million**
(2022: BWP59 million)

Group operating profit (EBIT) down
**1.8%** to **BWP274 million**
(2022: BWP279 million)

Group earnings per share up
**4.8%** to **10.9 thebe**
(2022: 10.4 thebe)

Group headline earnings per share down
**7.5%** to **11.1 thebe**
(2022: BWP12.0 thebe)

Group adjusted* EBITDA down
**3.4%** to **BWP489 million**
(2022: BWP506 million)

Namibia segment adjusted* EBITDA up
**140%** to **BWP12 million**
(2022: BWP5 million)

Zimbabwe segment adjusted* EBITDA down
**108.1%** to **BWP3 million loss**
(2022: BWP37 million profit)

* *Adjusted measures are shown as management believes them to be relevant to the understanding of the Group's financial performance.*

# Operational highlights

- Opened **16** new stores across **four** countries.
- Opened **four** On The Go stores across Botswana
- **BWP3.6 million** spent on training and development
- Launched **farmers' app** supporting local farmers (only in Botswana for now)
- Post-year-end **acquisition** of Kamoso
- The Group is now **technically solvent** by BWP42 million
- **Debt reduction** of BWP270 million plus a further BWP114 million subsequent to year-end
- **Footfall** up by **6.1%**

# A WORD FROM THE CHAIRMAN

Choppies Group remains steadfast in its commitment to advancing its strategy and purpose.

**Uttum Corea**
*Chairman*

The greatest success of the past year was achieving one of our strategic objectives of accelerating the conversion of our equity from negative to positive through a rights issue. This added BWP300 million to equity and has done away with the auditor's mention of uncertainty with reference to our previous note on going concern relating to negative equity since 2018. We therefore have a "clean" audit opinion after five years. This is good reason for celebration. The current positive equity position allows us to now consider further opportunities for investment and growth. This was realised in an opportunity to boost growth through our post-year-end acquisition of Kamoso.

## ADVANCING OUR STRATEGY AND LIVING SHARED VALUE

Our strategy and vision continue to be the driving force for the Group and we have seen significant progress in this regard. The successes were driven by the hard work and commitment of our management team and all our employees.

The following objectives from Choppies' previous five-year strategy have all been advanced during recent years:

- Slow and managed expansion in profitable regions
- Divestment from loss-making regions
- Improved corporate governance
- Improved stakeholder relationships
- Continued focus on debt restructure and reduction – successful rights issue
- Developing a shared-value strategy which is the DNA of the Group

We seek to replicate our successful growth model in all the countries in which we operate. This includes our continuous development of new products – be they own label or financial services – and then expanding them throughout all countries of operation. Financial services is a key growth area and we will also continue evaluating these going forward.

## KAMOSO AFRICA ACQUISITION

Choppies Distribution Centre (Pty) Ltd acquired a controlling stake of 76% of the issued shares of Kamoso as announced post-year-end. Kamoso Africa is a leading manufacturing, supply and distribution company and was previously part of the Choppies Group before listing. It presents a number of synergies and growth opportunities for the Group. The Botswana Development Corporation has retained its stake of 24% in Kamoso, and is valued as an important development partner for the Group.

At Choppies, we have always been supportive of local farmers, who have registered with the Group in record numbers for support and assistance.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In the past year, we put a particular focus on our ESG initiatives and continued to build on the momentum generated from previous years. A major highlight is our farmers' app which was rolled out during the year. The app has a high public impact, placing a large emphasis on local producers and facilitating their access to market. The majority of the farmers we source fresh produce from are young and tech savvy entrepreneurs who have found a lot of convenience in using the app as a platform to sell their products. Our focus has also shifted to supporting more female entrepreneurs.

In our environmental sustainability efforts, we completed solar installations at two of our stores in Namibia. In Botswana, we completed a solar installation at the Fruit & Veg distribution centre which has generated over 175 MW of power since going live up to mid September. Five stores in Botswana are currently running a pilot water recovery system to recover and recycle water from different sources. In addition, all stores in Botswana have been converted to energy saving LED lights. Optimisation software was used to reduce the number of lights as well. Waste segregation is practiced in all stores. Paper, plastic, biodegradable waste and hazardous wastes are separated and handled accordingly. All of these initiatives and similar efforts have helped to cement our position as one of the companies leading shared-value strategy and ESG in the country.

In terms of governance, we had a robust engagement with the Botswana accountancy oversight authority ("BAOA") regarding governance. Unlike King IV the proposed Pula Code is legislated, and we encourage BAOA to focus on promotion (education and training) as provided for in its enabling Act thereby building capacity in the country as we believe it is better to encourage application first, before trying to enforce it.

## CHANGES TO THE BOARD

Mr Thomas Pritchard resigned as an independent Non-executive Director of Choppies and from all his committee duties effective 1 May 2023. We thank Tom for his services and valuable contribution to the Company over the past four years.

Mr R P De Silva, a former partner of PricewaterhouseCoopers was appointed in terms of the Company's Constitution, as an independent Non-executive Director and as Chairman of the audit and risk committee with effect from 1 May 2023 subject to confirmation by the shareholders at the next annual general meeting. We welcome Mr R P De Silva to the Board and look forward to working together to grow Choppies.

Mr Dondo Mogajane was also appointed in terms of the Company's Constitution as a Non-executive Director with effect from 30 August 2023 subject to confirmation by the shareholders at the next annual general meeting. Mr Mogajane is a former Director General at the National Treasury of South Africa, and is Chairman of the Board of Trustees of the South African Government Employees Pension Fund, Chairman of the New Development Bank (BRICS Bank), Chief Executive Officer of the Moti Group of Companies, and Board Member of Chapter Zero Southern Africa and V&A Waterfront Holdings. We look forward to Mr Mogajane's contribution as a Board member.

## LOOKING AHEAD

The major economic impact from the Covid-19 pandemic and the ongoing Russian Ukrainian war has seen widespread inflation globally. Central Banks around the world have raised interest rates to curb inflation which has slowed growth. There are indications that inflation in the major economies might be peaking after a number of economies have suffered under the yoke of the blunt instrument of higher interest rates.

Botswana, however, did extremely well in taming inflation. The Bank of Botswana hiked the Bank Lending Rate three times up to 6.76% in November 2022 and then wisely held it steady to date so as not to discourage growth. Inflation has come down from a high of 14.6% in August 2022 to a low of 1.2% in August 2023. While this could be partly due to the dissipating impact of the earlier increase in domestic fuel prices in the corresponding period in 2022, and the temporary reduction of VAT by the Hon. Minister of Finance, it is significant that the Pula/Rand exchange rate was in a range of 1.30 to 1.40 during 2022/23 and acted as a buffer against imported inflation. The exchange rate is more effective against imported inflation given the magnitude of imports in Botswana rather than the interest rate. The Bank of Botswana did well to keep the Bank Rate steady at 6.76% and the Monetary Policy Rate at 2.65% with the possibility of reduction. The commercial banks should, however, begin to compete with each other and bring the commercial rates of interest down and stimulate growth of the economy with benefit to all concerned, including themselves.

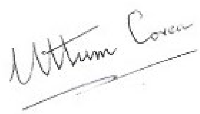
The Government of Botswana and De Beers are to be congratulated on concluding a new Diamond agreement in principle, following protracted negotiations. This new agreement will certainly help to stabilise the Diamond sector, which is the backbone of the Botswana economy, and improve business confidence.

Our operations in Botswana and Zambia have remained stable in the face of challenging economic conditions, with potential for growth going forward together with the synergies presented by the acquisition of Kamoso. We have not managed to reach scale in Namibia but remain focused on this region and note that it will take time to build economies of scale. Our main concern lies in Zimbabwe. We can only hope that going forward there will be much needed stability for the country's volatile currency.

## APPRECIATION

On behalf of the Board, we wish to express our appreciation to all our stakeholders for their contribution to growing the Choppies business and walking the journey with us.

To my fellow directors, thank you for your guidance and counsel as we continue to drive the business to ensure that our strategic objectives are achieved. To our CEO and supportive management team, I want to express my gratitude for their unwavering commitment to the Choppies vision, mission, and purpose expressed in its shared-value approach, and managing the successful rights issue and takeover of Kamoso.



**Uttum Corea**
*Chairman*
20 September 2023

# KAMOSO OVERVIEW

## EXPANSION AND DIVERSIFICATION WITH NEW ACQUISITION

**Diversification into liquor, building materials and medical**

**Advancing growth strategy**

**Backward integration with milling, tissue and packaging businesses**

Botswana
**27** Builders Mart Stores

Botswana
**70** Liquorama Stores

Post-year-end in July 2023 Choppies Distribution Centre (Pty) Ltd acquired a controlling stake of 76% of the issued shares of Kamoso. The purchase price was BWP2 with Choppies taking on BWP180 million in debt. The acquisition is an opportunity for growth and expansion and diversifies the Group into liquor and building materials. Kamoso Africa is a leading manufacturing, supply and distribution company and was previously part of the Choppies Group prior to its listing.

We see great potential in the Kamoso business, especially in the building material business Builders Mart, as there is a huge demand for building materials across Africa. There is rapid urbanisation which has resulted in the demand for housing and infrastructure increasing exponentially within Africa. The African middle class continues to expand with more individuals having access to mortgage loans.

In addition, Kamoso has a well-established and dominant liquor business with 70 outlets in Botswana and plans to expand into additional countries. This further diversifies our business as Choppies has not previously had a liquor offering.

Kamoso also provides backward integration as a number of existing suppliers form part of the acquisition. Kamoso includes milling production and distribution, food import operations, a diagnostic medical equipment distributor, a tissue packaging manufacturer and water bottling operations.

# 01

# Who we are


We take pleasure in offering customers and communities in Southern Africa great value for money and a pleasant, modern shopping experience.

## Who we are

# CHOPPIES IN A SNAPSHOT

Choppies is the largest retailer in Southern Africa outside of South Africa, with 177 stores across Botswana, Zimbabwe, Zambia and Namibia and 10 distribution centres.

Choppies was initially established in Lobatse, Botswana in 1986 and has since grown into a BWP1 168 million market capitalisation Company with a broad presence throughout Botswana while growing its footprint in three other African countries. The Choppies brand value proposition which resonates well with our customers has been key in helping us to become a local brand of choice in each country in which we operate.

Everything we do is underpinned by a commitment to shared value which drives our approach to our people, customers, suppliers and all other stakeholders. Our team's exceptional sense of service and unfailing commitment to delivering the best customer experience has contributed to more customers choosing the Choppies brand in addition to the value and assortment we are known for.

## A people-focused business

Choppies is the largest employer in Botswana after government and employs the largest proportion of differently abled people. Across our regions of operation, we are committed to upskilling our employees and transferring skills to the local communities with a strong focus on localisation.

Our stores provide employment on both a full time and part time basis providing local communities with varied employment options. We also boast 48.3% female employment.

## Customer-centric retail offering

We strive to bring modern retail to all, offering a product range that provides our customers with choice at the price they can afford. We aspire to be the preferred retailer in each region we serve and are growing the business by opening stores that reflect the changing habits and needs of our customers and which will help bring new customers and communities into the Choppies family.

We take pleasure in offering customers and communities in Southern Africa great value for money and a pleasant, modern shopping experience. Food, groceries, tobacco, beauty, and other general commodities, as well as value-added financial services, are all part of our product offering. Since many of our locations are in small rural towns, we have a wide choice of private label Choppies items as well as well-known brand products to suit any budget.

While we have strong and resilient brands, affordability is a growing constraint for consumers. This is why we continuously review our service offering to satisfy the needs of our growing number of higher and middle-income consumers while being able to efficiently service our lower-to-middle-income shoppers.

## Working together with our suppliers

We provide smaller suppliers with the opportunity to formalise their business and we also support over 4 300 farmers across all four operating countries ensuring we purchase most of the local produce. We work closely with suppliers and serve as a route to market. If we can carry a product in our stores, local manufacturers can invest in producing the item which in turn helps drive further industrialisation in the countries in which we operate.

## Our timeline

| | |
|---|---|
| 1986 | Choppies established; Wayside Supermarket opened |
| 1993 | Opening of the second store |
| 1999 | Opened first store in Gaborone – Friendly Grocer |
| 2003 | Choppies' retail brand consolidated and evolved |
| 2008 | Choppies commenced operation in South Africa, first store opened |
| 2012 | Listing on the BSE |
| 2013 | Choppies commenced operations in Zimbabwe |
| 2014 | Opening of distribution centres in South Africa and Zimbabwe |
| 2015 | Secondary listing on the JSE |

### Suppliers' portal

All significant purchase orders are routed through the suppliers' portal, eliminating paper and automating the process. Our suppliers prefer this, as they are in control (allowing them to download the purchase orders, at their convenience). We are continuously looking to add new features to the portal.

## Key facts

### Contribution per country (%)

Revenue 69%

**Botswana**

FY2023 revenue
**BWP4 499 million**

Number of employees
**6 306**

New stores
**7**

Revenue 31%

**Rest of Africa**

FY2023 revenue
**BWP1 987 million**

Number of employees
**3 434**

New stores **9**
Number of stores **78**

| | Botswana | Zimbabwe | Zambia | Namibia | TOTAL |
|---|---|---|---|---|---|
| Stores per country | 99 (2022: 92) | 33 (2022: 32) | 31 (2022: 28) | 14 (2022: 9) | 177 (2022: 161) |
| Fleet | 421 | 61 | 21 | 11 | 514 |

### Embracing technology – QuantumRetail

Choppies is undertaking a tech transformation venture called QuantumRetail that aims to modernise our technology infrastructure and drive business growth by leveraging technology as the fifth factor of production (along with capital, entrepreneurship, labour and property). This looks at the evolving customer expectations – and how to identify them; the changing operating environment and using technology to benefit from this; emerging new technology and leveraging blockchain, AI and cloud technology to improve efficiencies and performance; moving from an archaic traditional response that is too slow; and linking business performance to investment appetite (while considering the total cost of ownership).

We aim to use technology to transform into paperless retail, own and leverage data, accelerate omnichannel commerce, digitise financial services, and leverage ABCDI new technologies (i.e. AI, blockchain, cloud, data and internet of things), underpinned by a transformation of our personnel. Combining all of this will lead to a transformed experience not only for our customers but also for suppliers and partners.

The rollout of Slimstock, an inventory optimisation application, was our initial foray into this. Since then, we have developed the farmers' app, suppliers' portal and data analytics to further understand our customers. There are multiple initiatives currently underway that will further push the envelope on this theme.

**2016** – Choppies introduced in Zambia and Kenya

**2017** – Opening of stores in Tanzania and Mozambique

**2019** – September – new Board formed

**2020** – Divestment from South Africa, Mozambique, Kenya and Tanzania

**2022** – All countries in Rest of Africa segment post-EBITDA profit

**2023** – Acquired 76% stake in Kamoso Africa

# WHAT WE OFFER IN-STORE

### Groceries

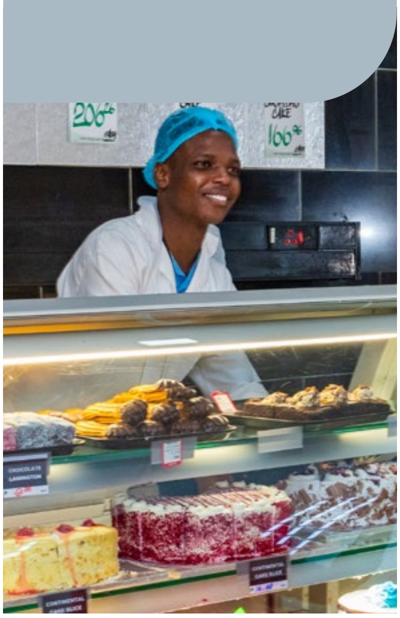
- In addition to the best international branded groceries, we have 422 SKUs of Choppies branded products ranging from fresh, frozen, canned, dry foods, snacks, ethnic specialities, health and beauty care, household as well as laundry products and toiletry products.

### Fresh fruit and vegetables

- Good quality fresh fruits and vegetables sourced directly from market and farmers in Botswana, Namibia, Zambia and Zimbabwe
- Fruit and vegetable distribution centre unique in Botswana
- Strong support from farming community enables competitive pricing and stock availability.

### Bakery

- In-store bakeries provide customers with freshly baked goods daily including bread, cakes and pastries
- Bakery offering variety according to profile of store and region.



### CHOPPIES FRIED CHICKEN ("CFC")

The CFCs currently in operation are located within selected Choppies stores. However, we are looking to establish standalone stores and CFC is included in all On The Go stores.

We will also launch a sit-down CFC at our Westgate store in the coming year. This offering will be expanded to other stores going forward.

### Butchery

- Fresh meat and poultry delivered daily
- Local supply arrangements with farmers and abattoir owners in all regions ensure regular and consistent supply.

### Takeaways

- Takeaway food offerings in all stores
- "Store-in-store takeaway" concept
- Choppies Fried Chicken
- Daily menu depending on customer profile in every location. Items include fried chicken, chips and curries.

### Value added/financial services

- Mobile money, airtime, utilities payment, event ticket, foreign exchange, satellite TV subscription.

**CHOPPIES ON THE GO**

Choppies On The Go is a convenience store we have at petrol station forecourts that is currently based in Botswana with plans to bring the concept to our other countries of operation.

We currently have a dedicated team focused on growing and developing On The Go by expanding store footprint and the product range.

Stores open **4** Countries **1**

We aim to open up to 100 stores in various countries over the next three to five years.

# INVESTMENT CASE

## Why invest in Choppies?

- Market-leading and strong brand
- Largest private employer in Botswana
- Significant market share in regions in which we operate
- Strong private label brand
- Economic value creation
- Customer and shared-value approach
- Political and economic stability in largest market
- Return on capital exceeds WACC
- Optimised distribution infrastructure and strong operational expertise
- Broad consumer market serving all income groups
- Strong supplier relationships supporting a sustainable food system
- Diversified earnings in terms of product categories and currency earnings
- Digital journey started for paperless retail
- Relentless focus on product and service improvement

# GROUP STRUCTURE

## CHOPPIES ENTERPRISES LIMITED

CHOPPIES
*Great value for your money!*

- Choppies Distribution Centre (Pty) Ltd (100%)
  *All Botswana operations*
  - Jexman Holdings (Pty) Ltd
    - Monyglob (Pty) Ltd
- Nanavac Investments (Pvt) Ltd (100%)
  *All Zimbabwe operations*
  - Nestral Systems (Pvt) Ltd
- Choppies Supermarkets Ltd (90%)
  *All Zambian operations*
- Choppies Supermarket Namibia (Pty) Ltd (93%)
  *All Namibian operations*

# WHERE WE OPERATE

Choppies holds a significant leading position in Botswana's retail sector and is the country's largest private sector employer. One of our critical competitive advantages and drivers of best value for money for our customers is our in-house logistics, distribution and store network. This provides a large product range and consistent supply of fresh, high-quality products. With the same efficiency, our distribution centres can handle everything from dry foods to fresh and perishable products.


Our expansion strategy focuses on growing the business by opening additional stores that match our customers' changing habits and needs, as well as bringing new customers and communities into the Choppies family and value chain. Increased operational flexibility, efficiency, and cost effectiveness have enabled Choppies to position itself for success across all its operations. Smaller establishments that cater to the customer's need for convenience, as well as our expanding online platform, are part of this.

Choppies is a retailer that cares for and empowers its communities to better their wellbeing as it strives to improve, with and for its stakeholders, in order to grow together and create shared value.

## Namibia

| Number of stores (2022: 9) New stores **5** | 14 |
|---|---|
| Super (2022: 9) New stores 4 | 13 |
| Value (2022: 0) New stores 1 | 1 |

## Botswana

| Number of stores (2022: 92) New stores **7** | 99 |
|---|---|
| Super (2022: 71) New stores 2 | 57# |
| Hyper (2022: 7) New stores 0 | 5* |
| Value (2022: 14) New stores 1 | 15 |
| On The Go (2022: 0) New stores 4 | 4 |
| Hybrid (2022: 0) New stores 18 | 18 |

*# 16 Super stores converted to Hybrid*

** Two Hyper stores converted to Hybrid*

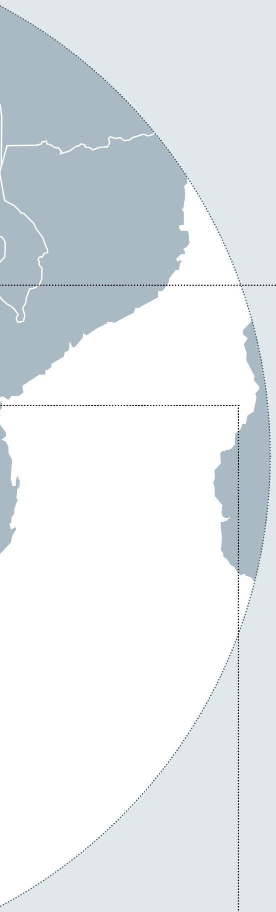
**Store size (m²)**

| 134 814 | 43 881 | 36 463 | 25 176 | **240 335** |
|---|---|---|---|---|
| Botswana | Zimbabwe | Zambia | Namibia | **Total** |

# OUR STORE FORMATS

Choppies aims to cater to a diverse spectrum of customers in Southern Africa, from low and middle-income families to the wealthiest families. Our supermarkets provide a selection of groceries, as well as a focused variety of general products, and value-added services.

Our approach to doing business enables us to address the socio-economic difficulties facing our customers by offering high-quality, affordable products to all customers while also creating significant job and economic opportunities throughout our value chain.



**4** Countries

**5** Store formats

**177** Stores

**10** Distribution centres

**6** Hyper stores

**129** Super stores

**20** Value stores

**18** Hybrid stores

**4** On The Go

**Though we have strong and resilient brands, we will continue looking into expanding our service offerings in order to expand our financial, online and delivery services.**

## Zimbabwe

| | |
|---|---|
| Number of stores (2022: 32) New stores **1** | **33** |
| **Super** (2022: 28) New stores 1 | **29** |
| **Value** (2022: 4) New stores 0 | **4** |

## Zambia

| | |
|---|---|
| Number of stores (2022: 28) New stores **3** | **31** |
| **Super** (2022: 27) New stores 3 | **30** |
| **Hyper** (2022: 1) New stores 0 | **1** |

### Distribution centres

| | Number | m² |
|---|---|---|
| Botswana | 5 | 25 319 |
| Zimbabwe | 2 | 8 097 |
| Zambia | 2 | 3 360 |
| Namibia | 1 | 1 957 |
| **Total** | **10** | **38 733** |

*Post-year-end Choppies Distribution Centre (Pty) Ltd acquired a 76% controlling stake of the issued shares of Kamoso Africa adding 70 Liquorama stores and 27 Builders Mart stores.*

CHOPPIES Hyper **6**

**"One stop shop"**
- 3 000m² to 4 900m²
- 15 000 SKUs
- Spacious layout
- Urban and non-urban areas
- More affluent consumers demanding greater variety.

CHOPPIES Superstore **129**

**Broad range supermarket**
- 550m² to 2 300m², average 1 350m²
- Up to 12 000 SKUs
- Full supermarket offering (bakery, deli, fresh produce, financial services)
- LSM three to six customers.

CHOPPIES Valuestore **20**

**Convenience store for immediate needs**
- Less than 500m², average 350m²
- 7 500 SKUs
- Based in rural areas with low levels of formal retail
- Target retail consumers in lower income brackets.

# OUR STORE FORMATS continued

### Housebrands

| 422 | 280 | 28 | 35 |
|---|---|---|---|
| own-label housebrand SKUs | housebrand food products | new housebrands launched | confined brands |

The Choppies housebrands offer consumers product quality and value for money at an affordable price. This enables us to maintain certain price points and ensure our customers can afford to buy their essentials. In developing our housebrands we focus on pricing, quality, affordability and availability.

Our own label products contribute 22% to the Botswana segments and 16% to the Group's sales. Housebrand food products are the most favoured within the community stemming from the confidence and brand trust built by Choppies. Consistent supply of housebrands is our priority with the majority of them produced locally. Consumer trust and loyalty in the brand is evident in the volume of products sold.

Alongside our housebrand we have also developed a number of confined brands such as the skin care brand Lumo. We are continuously looking to introduce new confined brands and products within these to meet customers' needs. Two new products will be launched under the Lumo brand in the coming year.


CFC
CHOPPIES FRIED CHICKEN
FRYLICIOUS
The power of natural charcoal

# DIRECTORATE AND SENIOR EXECUTIVES

## Directorate

*Independent Non-executive Directors*

### Uttum Corea (76)

SE N

**Chairman**

FCA (SL), FCA (Bots), PIAM (Harvard)

Appointed: 11 September 2019

Uttum joined Coopers & Lybrand, Botswana in 1973 and became a partner in 1982 and was later appointed as the first Senior Partner of PricewaterhouseCoopers in Botswana after concluding a successful merger between Coopers & Lybrand and PricewaterhouseCoopers. In 2008, Uttum retired from PwC and later took office as Director General of the National Strategy Office of Botswana reporting directly to the Presidency from 2010 and served until 2019.

Uttum served as President of the Botswana Institute of Chartered Accountants and is a former Board member of the Bank of Botswana and Botswana Insurance Holdings. Furthermore, he served as the first Chairman of the Botswana Export Development and Investment Authority and as a founding member of the University of Botswana Foundation. Uttum was honoured by Rotary International with the Paul Harris Fellowship and a special Rotary Centennial Service Award for Professional Excellence. These are accolades he received as recognition for his professional achievement, his demonstration of high ethical standards, community and vocational service and dedication to service above self.

### Valentine Chitalu (58)

A I SE R

FCCA (UK), MPhil (UK), BACC (Zambia)

Appointed: 5 August 2021

Valentine is the co-founder of Phatiswa Group, a sub-Saharan African private equity fund manager with funds in excess of USD400 million. He currently holds several other Board positions in Zambia, South Africa, Australia and the United Kingdom. He has also been appointed to the Group's audit and risk committee. He is an entrepreneur with more than 15 years' experience in the private sector and has been actively involved in the development of private equity sector in both Zambia and the broader Southern African market. He has worked for CDC/Actis in London and Lusaka and was previously CEO at the Zambia Privatisation Agency.

### Carol-Jean Harward (37)

A I R N

BFIN, MBA, CIIA®

Appointed: 6 September 2019

Carol-Jean is the founder of Anandi Capital, a women-owned and led alternative investment firm and is a Chairperson of the Women First Fund, an initiative aimed at women and youth empowerment. She is currently an Investment Director at Norsad Capital, an impact investor and private credit provider to mid-sized businesses in sub-Saharan Africa. She has served as the vice-Chairperson of the Botswana Bond Market Association and has over 15 years' experience working as an investment professional in financial institutions such as the World Bank, Barclays Bank (now Absa), African Alliance Asset Management and Investec Asset Management.

## Committee membership legend

A Audit and risk committee | I Investment committee | SE Social, ethics and HR committee | R Remuneration committee | N Nominations committee

## *Independent Non-executive Directors* continued

### Ranjith Priyalal De Silva (68)

A I SE R

ACMA (UK), FCA (Bots), FCA (SL)
Appointed: 1 May 2023

Priyalal is a long serving Chartered Accountant in Botswana and held the position of Chief Operating Officer of PwC Botswana from 1 July 2007 until his retirement on 30 June 2016 after serving PwC for 36 years (19 years as a partner). At PwC Botswana, he served a large portfolio of audit/tax clients and operated as the “Trusted Business Advisor” to a number of large privately-owned corporates in Botswana. His expertise is primarily in auditing, accounting, tax planning, financial investigations, financial management and governance.

Priyalal is a fellow member of the Botswana Institute of Chartered Accountants and Institute of Chartered Accountants of Sri Lanka.

## *Non-executive Directors*

### Farouk Ismail (70)

N

**Deputy Chairman**
Appointed: 2004

Farouk is a seasoned entrepreneur who co-founded Choppies in 1986. At the time of opening, the store was called Wayside Supermarket and was situated in Lobatse. His unwavering resilience, vision and drive have contributed immensely to the growth of the Group over the years.

### Andrew Dondo Mogajane (53)

BAdmin Honours, Management Advanced Programme, Master Public Management
Appointed: 30 August 2023

Dondo is a former Director General at the National Treasury of South Africa, and is Chairman of the Board of Trustees of the South African Government Employees Pension Fund, Chairman of the New Development Bank (BRICS Bank), Chief Executive Officer of the Moti Group of Companies, and Board Member of Chapter Zero Southern Africa and V&A Waterfront Holdings.

## *Executive Director*

### Ramachandran (Ram) Ottapathu (60)

**Chief Executive Officer**
BCom, CA (ICAI), FCA (Bots)
Appointed: 2004

Ramachandran is a fellow member of the Institute of Chartered Accountants of India and fellow member of the Botswana Institute of Chartered Accountants. He has played a key role in the growth of Choppies both in the local Botswana market and in the international market having joined Choppies in 1992 and has been heading operations since 2000. He has over 34 years’ experience working in finance and operations in various sectors such as manufacturing, packaging, milling, real estate developments and medical distribution.

# DIRECTORATE AND SENIOR EXECUTIVES
continued

## *Senior executives*

**Vinod Madhavan (52)**
*Deputy Chief Executive Officer*
PGDM (IIM-A), BTech (IIT-M)
Appointed: 15 October 2022

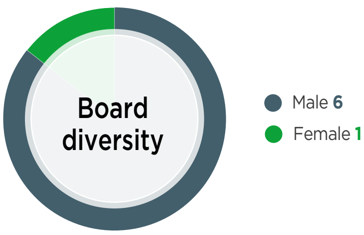
Vinod is a leader of multi-disciplinary and multi-cultural teams focused on delivering business outcomes, a banker with over 25 years of experience in trade, working capital finance and commercial banking. He was formerly Group Head Trade at Standard Bank in South Africa, Global Head, Local Corporates Product, Receivables and Supply Chain Finance at Standard Chartered in Singapore and has held positions in Deutsche Bank and Citibank, spanning roles in operations, product management, sales and business head roles, living and working from Singapore, India and South Africa.

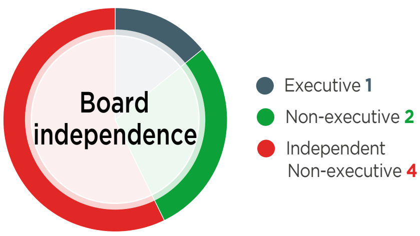
**Minnesh Rajcoomar (58)**
*Chief Financial Officer*
BCom (Hons), CA(SA), FCA (Bots)
Appointed: 1 May 2020

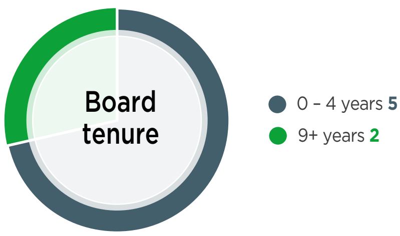
Minnesh is a fellow of the South African Institute of Chartered Accountants and of the Botswana Institute of Chartered Accountants with over 33 years' experience in accounting, finance, corporate restructuring and mergers and acquisitions. He has worked for Nampak, Edcon and has held the position of CFO at the Edgars division.

**Vidya Sanooj (40)**
*Chief Compliance Officer/Investor Relations*
BCom, CA (ICAI), FCA (Bots)
Appointed: 11 September 2019

Vidya serves on a number of Boards, for both listed and unlisted companies. She is a fellow of the Institute of Chartered Accountants of India and of the Botswana Institute of Chartered Accountants. She has worked in a number of divisions at Choppies Group from management of accounts, advising on the listing-road map and investor relations. She has over 17 years' experience in retail accounting, finance, corporate restructuring and merger and acquisitions.




FOURS
CHOPPIES
CHOPPIES
CHOPPIES

# 02

# Value creation

The Group continues to progress on its strategy and vision. In our efforts to introduce new concepts we recently launched Choppies On The Go at four service stations in Botswana to provide a convenience service for consumers.


## Value creation

# OUR STRATEGY

## Our purpose

Providing great value to customers, growing together with our communities and respectfully and sustainably contributing to their wellbeing.

## Vision

Being the preferred retailer for mass grocery and financial services in the countries in which we operate.

## Mission

Being the preferred one-stop-shop community hub in the countries in which we operate.

**Choppies has established a purpose that drives its strategic aims and interactions with all stakeholders, guided by the ideals of shared value and conscious capitalism.**

This is underpinned by Choppies' commitment to giving the best value to our customers. Our success and growth are inextricably tied to those of all of our stakeholders. We want to be known as a company that actually cares about and gives back to the communities where we do business. We cannot only fulfil our Company's goals but should also have a positive impact on all of our stakeholders by embodying this mission and forming partnerships with our communities, suppliers and employees.

We live our purpose through three main pillars as set out below:

| Access with best service | Cares and empowers | Works for and with you |
|---|---|---|
| Choppies provides its communities with constant access to a wide range of goods and services, as well as employment and purchasing capacity, all while providing exceptional customer service and the best overall value. | With its responsible behaviour, a retailer that cares for and empowers its communities to improve their wellbeing. | Choppies strives to improve with and for its stakeholders in order to grow together and create shared value. |
| • Access to large bouquet of products and services<br>• One-stop-shop format<br>• New opportunities for local producers to reach new markets (farmers' app)<br>• Vast footprint reaching rural and urban communities<br>• Best total value – fair and transparent deals<br>• Improves inclusion in communities<br>• Efficient services – saving time for customers. | • Long-lasting commitment to stakeholders providing support in difficult times<br>• Respect for local culture embedded in offering<br>• Health and safety<br>• Committed to reducing carbon footprint<br>• Empowers stakeholders to grow. | • Listens to stakeholders to customise offering<br>• Informed decisions<br>• Efficient value chain<br>• Constantly evaluating opportunities, technologies and innovations to improve progress and efficiency<br>• Working in partnership with local communities, suppliers, entrepreneurs and employees<br>• Leverages capabilities and experience of various territories to improve Group-wide operations. |

# OUR STRATEGY continued

Our core values are derived from the concept of Botho, a Tswana word encapsulating the concept of Ubuntu or humanity and caring for the community

## CORE VALUES

**BOTHO**

- Listening to our stakeholders
- Providing great overall value to our customers and communities
- Caring for the wellbeing of our customers and communities
- Working in partnership with our communities
- Always on the lookout for opportunities, technologies and innovations
- Taking pride in what we do and showing respect and honesty in all our dealings
- Ethically sound
- Empowering, recognising and rewarding our people

## CREATING SHARED VALUE

Our approach to shared value remains true to Choppies' success and purpose.

The Group has a vast distribution network particularly in Botswana with the intention that 90% of the population should be within a 10km radius of a Choppies store especially in underserved rural areas. This helps provide access to most citizens as consumers. The Group is therefore well positioned to engage in shared value projects with local communities to create economic value in a way that also creates value for society by addressing its needs and challenges.

| Our commitment | What we do | Contributions/ objectives achieved | Targets for FY2024 |
|---|---|---|---|
| **Develop local businesses** | • Support farmers' growth and quality by providing platforms and knowledge, while offering the necessary financial and technical expertise<br>• Use Choppies' spare transportation capacity to help small producers reach new markets and provide the population with access to better products<br>• Support local manufacturing and SMMEs. | • Newly listed farmers 837 exceeding the target of 25% increase from last year<br>• 111 small stock breeders and 268 small scale manufactures introduced as suppliers<br>• Launched farmers' app. | Develop the same model in all regions<br><br>Collaboration with female entertainers, entrepreneurs and suppliers |
| **Population upskilling** | • Train the population throughout the country in both basic skills and crafts that can be used to accelerate the productivity of Choppies' employees<br>• Partner with universities to provide advanced courses on critical areas for retail such as information technology and retail management. | • 1 959 staff members completed training<br>• 50 graduates trained in the Choppies Graduates Trainee programme<br>• Sponsored post-graduate studies in India<br>• 63 people with disabilities employed. | Develop the same model in all regions<br><br>Continued active training programmes in Zambia, Zimbabwe and Namibia in addition to Botswana |
| **Care for the environment** | • Develop distributed energy facilities using the stores' roofs and waste that provide energy directly to Choppies and to the community as well as the grid<br>• Collect, separate and recycle own waste generated from food, packaging, and others as well as collect from the population and farmers to transport to own or third-party recycling plants or feed local biomass plants. | • Solar installation completed two stores in Namibia<br>• Botswana solar installation at F&V distribution centre completed<br>• Five stores in Botswana running a pilot water recovery system<br>• All stores in Botswana have been converted to energy saving LED lights<br>• 93% of island freezers converted to less energy consuming self-contained fridges<br>• Waste segregation is practiced in all stores.<br><br>For more information please see page 70. | Green and renewable energy in countries we operate in<br><br>Setting of an environmental impact baseline to measure against in the coming year |

# OUR STRATEGY continued

## CREATING SHARED VALUE continued

| Our commitment | What we do | Contributions/ objectives achieved | Targets for FY2024 |
|---|---|---|---|
| **Population access** | • Provide points for medicine collection and basic health diagnostics and care in collaboration with private clinics in underserved areas<br>• Further develop the financial services provided at Choppies stores, broadening its variety (insurance, personal loans) and improving convenience. | • Hello Paisa and Malaicha platforms fully operational<br>• Botswana in store pension distribution ongoing. | All utility payments and increasing other financial services in all other regions in which we operate |

## CHOPPIES CURRENT FIVE-YEAR STRATEGY

| Strategy | | Status for FY2023 |
|---|---|---|
| **Debt reduction** | The reduction of the Group's accumulated debt, in terms of the debt reduction agreement with lenders, is a key strategic objective for at least the next four years and has been prioritised before cash outflows for growth aspirations. | |
| **Profitable growth strategy** | The Group's growth strategy is based on a four-pronged approach:<br>• Growth of the existing traditional business of mainly groceries<br>• Expand the in-store offering by focusing on higher margin fresh and value-added products.<br>• Continue to expand the quasi banking/financial and other services.<br>• Expand the store footprint in profitable regions in which the Group operates. | |
| **Creating shared value** | The Group remains well positioned to engage in shared value projects with local communities to create value by addressing consumer needs and challenges. | |
| **Operational excellence** | Operational excellence is a key part of the Group's strategy to be successful and to deliver maximum performance and grow optimally. | |
| **Enhance performance culture** | Choppies has identified the importance of a workforce who is dedicated to their work and determined to get results. | |
| **Eliminate negative equity of the Group** | The main reason for the Group's negative equity situation was the losses incurred and closure costs of BWP1.7 billion for the now discontinued operations in South Africa, Kenya, Tanzania, and Mozambique.<br>The profitability of recent years, together with the rights issue in June 2023 which raised BWP300 million, resulted in the negative equity being eliminated. | |

Achieved Ongoing

The Group's strategy is established around six strategic pillars which are designed to ensure sustainable growth in the long term and value creation for shareholders.

## 1. DEBT REDUCTION

The reduction of the Group's accumulated debt, in terms of the debt reduction agreement with lenders, is a key strategic objective for at least the next four years and has been prioritised before cash outflows for growth aspirations.

| Achieved in FY2023 | Target moving forward |
|---|---|
| BWP270 million reduction in debt plus a further BWP114 million subsequent to year-end | Debt reduction to optimum level by 2026 |

## 2. PROFITABLE GROWTH STRATEGY

The Group's growth strategy is based on a four-pronged approach:

1 – Growth of the existing traditional business of mainly groceries
2 – Expand the in-store offering by focusing on higher margin fresh and value-added products.
3 – Continue to expand the quasi banking/financial and other services.
4 – Expand the store footprint in profitable regions in which the Group operates.

**These four strategies will form the cornerstone of the Group's intention to make the Choppies business a one-stop-shop for customers.**

| Strategic objective | Status in FY2023 | Target moving forward |
|---|---|---|
| **Organic growth** | | |
| • Increase house brands/private label | • 21% of participating categories in Botswana and 16% for Group's sales | 23% |
| • Expand fresh, healthy, and value-added categories | • 2% increase in contribution except from fruit and vegetables | Maintain the same |
| • Broaden range of financial and other services offerings | • Ongoing | Replicate the same in all regions |
| • Promote online services | • Development ongoing | Ongoing |
| • Optimise store formats | • Store profiling completed | Ranging exercise ongoing |
| • Introduce a loyalty programme | • Testing phase | Ongoing |
| **Expansion** | | |
| • Continue slow and managed expansion in profitable regions<br>• Expand high performing stores while exiting underperforming stores. | • Botswana: Three new stores<br>• Namibia: Five new stores<br>• Zambia: Three new stores<br>• Zimbabwe: One new store<br>• On The Go: Four new stores<br>• Acquisition of Kamoso adding Liquorama and Builders Mart stores<br>• Ongoing re-assessment of store viability as leases expire. | Eight new stores<br>Five new stores<br>Two new stores |

## 3. CREATING SHARED VALUE

True to its purpose and central to Choppies' success is its approach to shared value. The Group has a vast distribution network, particularly in Botswana, and intends to have 90% of the population within a 10km radius of a Choppies store especially in underserved rural areas.

The Group remains well positioned to engage in shared value projects with local communities to create value by addressing consumer needs and challenges.

Choppies sells more than 75% of all fresh produce in Botswana and continuously seeks opportunities to partner with farmers for bulk crop buying agreements to benefit the Group, farmers and customers.

| Achieved in FY2023 | Target moving forward |
|---|---|
| • Introduced as suppliers: local women association as prepared food suppliers<br>• 111 small stock breeders<br>• 268 small scale manufacturers<br>• 63 people with disabilities employed<br>• Financial support to unemployed women artists. | Develop the same model in all regions |

## 4. OPERATIONAL EXCELLENCE

It is imperative that Choppies keeps up to date with continuous changes in a fast-moving retail environment. Developments, especially technology, pose a challenge for any retailer to remain competitive.

Operational excellence is a key part of the Group's strategy to be successful and to deliver maximum performance and grow optimally.

| Strategic objective | Status in FY2023 | Target moving forward |
|---|---|---|
| • Install a standard operating store infrastructural model throughout the Group | • Operation model completed | Introduce the same model in all other regions |
| • Focus on digital transformation | • Launched Slimstock to focus on inventory optimisation and demand forecasting<br>• Introduced business intelligence and data analytics<br>• Developed concept of QuantumRetail and launched proof points such as suppliers' portal | Roll out foundational capabilities in operations<br>Automated business processes<br>Own and deliver on advanced data analytics (leveraging AI/ML)<br>Leverage startups and fintech to roll out value-added services based on QuantumRetail principles |
| • Upgrade IT infrastructure | • Commenced with infrastructural changes to enhance IT performance | WAN modernisation and redundancy<br>Desktop environment upgrade |

## 4. OPERATIONAL EXCELLENCE continued

| Strategic objective | Status in FY2023 | Target moving forward |
|---|---|---|
| • Ongoing focus on cybersecurity | • Renewed focus on cybersecurity | Review access control and enforce security measures<br><br>Network segmentation to reduce vulnerability<br><br>Security information and event management solution |
| • Implement a system for stock optimisation and demand forecasting | • Project commenced | Implementation completed in Botswana and will soon move to other countries |
| • Customer service | • Implemented mystery shopper to judge levels of customer service | Currently scoring 60–70%, target is 80–90% customer satisfaction |

## 5. ENHANCE PERFORMANCE CULTURE

To build and enhance a performance culture in the Group is essential to remain successful. Choppies has identified the importance of a workforce who is dedicated to their work and determined to get results. In addition, employing high-achieving employees will lead to greater business success.

The following initiatives have been identified:

| Strategic objective | Status in FY2023 | Target moving forward |
|---|---|---|
| • Continue to strengthen the Group's management team | • Three new appointments made in sector heads<br>• Appointed deputy CEO<br>• Employed 50 graduate trainees. | Ongoing |
| • Introduce performance based short- and long-term incentive schemes | • Both STI and LTI schemes in place. | Enhance both schemes as required to meet future needs to drive business |
| • Upskill HR department to train employees to keep abreast of fast-moving technology and new retail concepts | • 304 managers trained. | Further training for regional managers and other staff and digitalisation of training |
| • Enhance Group values among employees | • Communication and training ongoing. | New standard operating procedure implementation<br>and digitalisation of training |

## 6. ELIMINATE NEGATIVE EQUITY OF THE GROUP

The main reason for the Group's negative equity situation was the losses incurred and closure costs of BWP1.7 billion for the discontinued operations in South Africa, Kenya, Tanzania, and Mozambique.
The profitability of recent years, together with the rights issue in June 2023 which raised BWP300 million, resulted in the negative equity being eliminated.

# OUR BUSINESS MODEL

As a food retailer, the Group's business model is to procure products through an efficient local and international supply chain and to sell it to consumers through a network of retail stores. Our business model describes how we create long-term sustainable value for our stakeholders and illustrates to what extent we have achieved our strategic objectives for the period under review and what the outcomes were through the effective and balanced use of our capitals as defined in the International Integrated Reporting Council's <IR> Framework.

| Capital | Inputs | Outputs |
|---|---|---|
| **Financial**<br>**Funding received from providers of capital and the financial resources available to the Group** | • BWP369 million of borrowings<br>• BWP816 million of unsecured, interest free current liabilities. | • Group EBITDA decreased by BWP53 million<br>• Borrowings reduced by BWP270 million plus a further BWP114 million subsequent to year-end<br>• Interest paid at BWP109 million<br>• Market capitalisation at BWP1 168 million. |
| **Human**<br>**Employee skills, capabilities, development and experience** | • 9 740 full-time employees<br>• Management expertise and skills<br>• Well-trained employees. | • 653 jobs created in FY2023 across Southern Africa<br>• Salaries BWP426 million<br>• Economic upliftment<br>• Socio-economic development<br>• Skills transfer to local communities. |
| **Intellectual**<br>**Skills and knowledge within the organisation and the enabling systems and processes** | • Strong brand equity<br>• Growing own brand offer and product development: private label items are available in almost every food and non-food category, fresh, frozen, canned, dry foods, snacks, ethnic specialities, health and beauty care, household as well as laundry products<br>• Sophisticated IT systems. | • Affordable and fresh groceries in underserviced urban, semi-urban and rural areas<br>• Great value for money for consumers<br>• Unique merchandise, distribution systems<br>• Farmers' app. |
| **Manufactured**<br>**We use physical infrastructure within our operations that includes our store estate, distribution capacity, and information technology platforms** | • 177 stores<br>• Four support offices<br>• 10 distribution centres<br>• A strong and well spread out transport infrastructure in all countries<br>• In-house supply chain with regionalised distribution centres<br>• Valued partnerships with transport logistics providers and own transport fleet. | • In-house maintenance services<br>• Master database management and contracts with technology services providing for systems support<br>• Long-term alternate solar energy planning<br>• Waste management. |

| Capital | Inputs | Outputs |
|---|---|---|
| **Natural**<br>**Environmental resources used in our direct operations and in our supply chain which impact on our prosperity and sustainability** | • Restrained, appropriate carbon footprint<br>• Prudent consumption of resources: water, electricity<br>• Eco-friendly refrigeration<br>• Conscious focus on use of recyclable material<br>• Minimising food wastage. | • Recycling<br>• Solar installation at two stores in Namibia and one distribution centre in Botswana<br>• 54 562 662 kWh grid electricity used<br>• 194 271 kilolitres of water used. |
| **Social and relationship**<br>**The relationships we have with our stakeholders, including our customers, suppliers, business partners, communities, and other stakeholders** | • Customer-led long-term strategy with market research<br>• Meaningful corporate social investment programme<br>• Strong platforms for stakeholder engagement<br>• Strong relationships with customers, suppliers, funders, communities and government<br>• Support for farmers and local SMMEs. | • Business support for local suppliers and landlords – 75% of fresh produce in Botswana is distributed through Choppies<br>• Choppies supports small-scale local manufacturers<br>• Contracted farming fund advances food security for the nation<br>• Business support with local farmers for buying sheep and goat. |

## Business activities

Providing the best value for money, convenience and a broad service offering, including bakery, butchery, fresh fruit and vegetables, takeaways and relevant financial services in urban, semi-urban and rural areas and shopping centres, close to residential areas and transport nodes.

Providing consistent quality, across all products, supported by our superior in-house distribution and logistics capabilities. Fresh fruit and vegetables are sourced direct from farms.

## Trade-offs

In managing the six capitals, our material trade-offs include:

- Although we value and support local suppliers and local communities, we do rely on higher levels of imported goods and services, including employment of foreign nationals for rare and critical skills
- Determining which operating segment to prioritise in our expansion plans given our limited resources. We have four segments all with significant potential to grow
- While we have set debt reduction as a strategic goal, we may need funding and additional equity to grow the business in the existing segments, expand into other countries, acquire new businesses, and invest in information technology
- We will invest in stock-piling key grocery lines to mitigate price inflation and scarcity to keep our prices low and ensure availability for the benefit of our customers
- We have managed prices due to higher cost inflation, for the benefit of customers and to remain competitive, resulting in a lower gross profit margin, although our longer-term plans are to improve the gross profit margin
- We are planning to embark on an update of most of our systems including a digital journey for a paperless business, all of which may result in a leaner support team in the medium-term.

## Advancing our business model during the year:

- Providing technical and financial support to farmers to ease their adaptation to offer fruits, vegetables and meat that fulfil the requirements of the sophisticated consumer
- Improving displays of fresh produce to foster consumption of natural and healthy products and generating pride around the supply of local products
- Improving cold chain logistics to reduce waste and use residues as biomass that can transform into energy
- Focus on sustainable products with local produce, organic produce, fresh fruits and locally grown vegetables (using hydroponics), vegan and plant-based alternatives, among others
- Promote local producers through farmers' markets and fruits and vegetables festivals
- Adding more services to the financial services offering including Payzana app for till point payments
- Focus on convenience with Choppies On The Go at filling stations

# OUR OPERATING ENVIRONMENT

## Botswana

Real GDP growth in Botswana is forecast to slow to **4.5%** in 2023, from 5.8% in 2022.

The slowdown is expected to be caused by sluggish worldwide demand for diamonds, which resulted in a 22.4% decrease in diamond trading activity.

Inflation declined from a high of 14.6% in August 2022 to a low of 1.2% in August 2023 partly driven by the dissipating impact of the earlier increase in domestic fuel prices in the corresponding period in 2022, and the temporary reduction of VAT, while the Pula/Rand exchange rate was in a range of 1.30 to 1.40 during 2022/23, acting as a buffer against imported inflation. The Bank of Botswana has kept interest rates at a comparatively low 2.65%, boosting loan demand and private consumption. Inflation is forecast to pick up slightly to 2.5% by year-end, driven by the recent oil price rally and fading base effects.

Over 2023, the forecast is a robust acceleration in real household spending, with total household spending (at 2010 prices) to grow by 4.6% y-o-y, compared to the 4.8% y-o-y in 2022. Real household spending (at 2010) has continued on an upward trajectory since the Covid-19 pandemic.

Downside risks to increased household spending include inflation staying higher for longer if global supply chain challenges intensify and the likelihood of elevated interest rates.

## Zambia

Real GDP growth in 2024 is forecasted to accelerate to **3.9%** with a further slowdown of inflation anticipated to average 9.5%.

This is expected to ease pressure on spending power, while a likely recovery in electricity generation capacity will support investment. Government spending is anticipated to remain below average, however, as the authorities persist with fiscal consolidation as part of the ongoing IMF programme.

The Zambian economy is expected to grow by a real rate of 3.5% y-o-y over 2023, slowing from 4.5% y-o-y growth over 2022. Zambia's positive growth can be attributed to a series of business-friendly reforms over 2023. While growth will continue as mining exports rebound and private investment remains strong, headwinds to private and public consumption is forecasted to persist with resulting growth remaining below the 2010-2019 average in the near term. Incomplete debt restructuring in foreign debt and lower copper output will further limit economic growth.

Expectations are that the Bank of Zambia will reverse recent monetary tightening in H2-23, cutting its policy rate back to 9.0% by end-2023, as inflation resumes a declining trend after a temporary spike over H1-23.

While this is a relatively new issue, ongoing factors, such as labour market dynamics and the Russia-Ukraine conflict, continue to place downward pressure on consumer outlook. The economic trajectory of many markets' post-Covid recovery highlight the risk of increasing unemployment and its impact on consumer outlook in the short term.

## Zimbabwe

Zimbabwe's real GDP is forecast to grow by **3.2%** y-o-y in 2023, an acceleration from the 2.5% y-o-y growth in 2022, driven by a more expansionary fiscal policy, which should provide some support to consumers in the short term.

The growth of disposable incomes will remain below forecast inflation for every year of the medium-term forecast period, highlighting the fragile state of Zimbabwean consumers. Looking ahead, disposable income is forecast to grow by an annual average of 2.6% y-o-y over our 2023-2027 forecast period to reach USD3 300.

Real household spending is forecast to grow by 7.9% y-o-y in 2023, following a contraction of 102.6% y-o-y. The growth in spending will be supported by higher public spending in the run up to elections in H2–23 and a rebound in agricultural output, particularly as the segment is key source of employment and income for a significant proportion of the population. Zimbabwean households are expected to continue to grapple with a number of issues that severely dent spending including triple-digit inflation, lower remittance inflows from South Africa and the UK.

Consumer spending in 2023 will be supported by elevated government spending, slightly easing inflation and the rebound in agricultural output. However, inflation will remain high over 2023 even as it eases. As a result, Zimbabwean consumers will remain price-sensitive and shift their spending towards cheaper alternatives, and to the informal sector.

## Namibia

Real GDP increased by **3.7%** y-o-y in the second quarter of 2023, fuelled by healthy mining activity and export growth.

GDP growth in H1 23 is expected to be 4.5%, exceeding estimates and largely in line with the 4.6% reported in 2022.

In 2023, rising inflation and interest rates continue to limit private consumption growth to 0.4%. Forecasts indicate that inflation will remain sticky and average 5.5% in 2023 amid elevated commodity prices and downward pressure on the South African rand.

Growth is forecast to be moderate in 2024 but expectations have been raised slightly from 2.3% to 2.7% as interest rates will potentially fall faster than previously projections.

*Source: Fitch Solutions Group Limited.*

# STAKEHOLDER ENGAGEMENT

Choppies' strategic objectives include communication and effective stakeholder interactions while identifying, engaging, and creating relationships with our stakeholders.

By involving our stakeholders, we can more clearly define our business strategy, make better choices, and enhance our performance in terms of the economy, the environment, and society. As a result, we make an effort to comprehend the viewpoints and needs of our stakeholders, set expectations for areas of shared concern, fulfil those expectations, and keep them informed of our development.

We engage with our stakeholders through a variety of channels, including but not limited to our website, bi-annual results releases, the Integrated Annual Report, regulatory pronouncements from the BSE and JSE, one-on-one meetings, customer surveys and continuous informal engagements.

As managing relationships with our stakeholders is critical to our long-term viability and a major element of our business plan, we continuously work to improve our engagement tactics.

**Engagement enables us to:**

| | | |
|---|---|---|
| **Improve our awareness of stakeholders' expectations, aspirations and interests** | **Strengthen the transparency and accountability through which we have built valuable relationships** | **Consider stakeholders' concerns and interests when establishing our material issues and strategic response** |

Our key stakeholders and the issues that concern them are highlighted below:

## CUSTOMERS

| | |
|---|---|
| **Key interests** | • High product quality as value for money<br>• Convenience of location of stores and trading hours<br>• Competitive pricing structures<br>• High service levels<br>• Availability and variety of products<br>• Extensive relationship building. |
| **Main issues in FY2023** | • Value for money given increase in cost of living<br>• Availability of products<br>• Hygiene and environmentally friendly products<br>• Increasing prices due to inflation. |
| **Engagement** | • Customer-centric business model<br>• Feedback from customers informs enhancement of products<br>• Conscious effort to meet expectations where applicable<br>• Continual product and service quality monitoring<br>• Facilitation of promotions. |

## FINANCIERS

| | |
|---|---|
| **Key interests** | • Effective debt reduction and management<br>• Regular discussions with funders<br>• Compliance with various loan covenants and undertakings<br>• Liquidity management for solvency<br>• Sustainable growth<br>• Debt reduction. |
| **Engagement** | • Regular meetings<br>• Regular tracking of finance covenants<br>• Repayment of loans in terms of agreed timelines. |

## SUPPLIERS

| | |
|---|---|
| **Key interests** | • Building relationships to ensure business continuity<br>• Fair pricing, transparent negotiation and transparent agreements<br>• Partnership for better product development<br>• Clear communication of expectations<br>• Effective and efficient administration<br>• Resource efficiency (including energy, water, waste and logistics). |
| **Main issues in FY2023** | • Sustainable relationships and efficient, effective access to our markets through our supply chain<br>• Business expansion with Choppies support. |
| **Engagement** | • Regular contact with suppliers and maintaining close relationships<br>• Implementing enterprise and supplier development initiatives<br>• Implementing and monitoring of service level agreements<br>• Sound commercial contracts<br>• Participate in new product testing and marketing<br>• Product support for healthy living<br>• Suppliers' portal<br>• Annual Group meeting and dinner. |

# STAKEHOLDER ENGAGEMENT continued

## EMPLOYEES

| | |
|---|---|
| **Key interests** | • Job security and fair and reasonable working hours (with certainty of hours and shifts)<br>• Training and development<br>• Safe working environment<br>• Competitive remuneration<br>• Recognition of performance<br>• Transparent and regular communication<br>• Wellness programmes and work life balance<br>• Sustainable Group performance and working for a responsible and ethical corporate citizen. |
| **Main issues in FY2023** | • Skills and career development in a safe and healthy working environment<br>• Growth and empowerment opportunities. |
| **Engagement** | • Regular staff engagement and communication, both at Group and segmental levels<br>• Training facilitated, based on individual goals and Company-specific requirements<br>• Staff development initiatives<br>• Annual appraisals<br>• Code of ethics<br>• Whistleblowing function and improved governance policies<br>• Training to support skills development initiatives. |

## SHAREHOLDERS

| | |
|---|---|
| **Key interests** | • Board and management stability<br>• Earnings and sustainable growth<br>• Share price performance<br>• Risk and mitigation strategies<br>• Payment of dividends<br>• Diversified footprint and segments<br>• Strong management team<br>• Restructuring or selling failing businesses<br>• Sound governance<br>• Expanded financial disclosure (including disclosure on key ESG concerns in line with recognised frameworks). |
| **Main issues in FY2023** | • Growth |
| **Engagement** | • Results releases<br>• Annual general meeting<br>• Regularly updated through SENS/XNews<br>• Integrated Annual Report<br>• Trading updates<br>• Website updates<br>• Roadshows<br>• Store visits. |

## REGULATORS AND GOVERNMENTS

| | |
|---|---|
| **Key interests** | • Compliance with all relevant laws and regulations timeously<br>• Transparent reporting. |
| **Main issues in FY2023** | • Compliance with regulations<br>• Job and economic opportunity creation. |
| **Engagement** | • Regular contact with regulator, registrar, BSE and JSE. |

## COMMUNITIES

| | |
|---|---|
| **Key interests** | • Social licence to operate<br>• Employment opportunities<br>• Environmental sustainability<br>• Donating to local upliftment projects<br>• Shared value initiatives. |
| **Main issues in FY2023** | • Communities characterised by high unemployment and relatively low-income levels<br>• Assurance we will not operate exploitatively and will be there for them. |
| **Engagement** | • Regular review and assessment of CSI projects<br>• Monitoring of the implementation of the Group's CSI strategy and projects<br>• Corporate social responsibility initiatives. |

## MEDIA

| | |
|---|---|
| **Key interests** | • Understanding the Choppies business<br>• Integrity of reporting. |
| **Engagement** | • Circulation of press releases<br>• Media alerts through SENS/XNews announcements<br>• Specific direct engagements. |

## EMPLOYEE REPRESENTATION

| | |
|---|---|
| **Key interests** | • Advancing matters of mutual interest<br>• Change management programmes<br>• Partnering to effect workplace transformation. |
| **Main issues in FY2023** | • Wages, work scheduling practices for full-time and part-time employees, transportation and late trading hours (common features of the retail industry)<br>• Address the issues through the consultation process. |
| **Engagement** | • Regular consultation on reward and employment conditions<br>• Consultation on transformation<br>• Local economic development and corporate social investment<br>• Skills development. |

# 03

# Our performance

We are committed to expanding our financial services offering which performed well in the past financial year.

## OUR PERFORMANCE

# CHIEF EXECUTIVE OFFICER'S REPORT

**For the year, Choppies demonstrated a satisfactory performance, even though our profitability was affected by challenges in Zimbabwe. However, we saw growth in both stores and revenue in Botswana, Zambia and Namibia.**

**Ramachandran Ottapathu**
*CEO*

## HIGHLIGHTS

- Stable and balanced growth
- Zambia and Namibia achieving greater stability
- Inflation is showing signs of easing, benefitting consumers and thereby Choppies
- Diversification through post-year-end acquisition of Kamoso Africa.

## OUR OPERATIONAL PERFORMANCE

### Botswana

A number of factors have resulted in somewhat sluggish growth in Botswana driven by slow market growth overall. However we saw better results in HY2 than in HY1. We expanded in line with growth in the Botswana market as a whole at 2-3%. Traditionally Choppies' growth tracks the expansion of the market.

Botswana is our largest market and we added a few new locations during the year. These included a new store in Kopong and three On The Go concept stores taking our total to four. The On The Go stores are starting to show promising results which we expect to see escalate in time as we achieve scale. We are also looking at launching standalone stores for CFC. Financial services is continuing to grow and delivering good results.

### Rest of Africa (Namibia, Zambia and Zimbabwe)

Zambia performed well and continues to show signs of further growth potential. The support from the IMF for the country also bodes well for our prospects there. However it is important that we increase the number of stores to achieve economies of scale and grow further. There have been delays both in Zambia and Namibia in opening new stores due to contractor delays and regulatory impediments. Namibia is another key expansion priority and growth here and in Zambia will help us to stabilise and improve our operations and service offering. Despite the delays in new store openings we believe we are on track in this regard.

Zimbabwe has been our main challenge and concern during the year as growth stalled and the currency issues continue. We are keeping a close eye on conditions in the country. Hyperinflation is inflicting serious pain on our figures on a continuous basis.

### Advancing our strategy

We are fully on track with our strategy and are on course to achieve our objectives.

We are committed to expanding our financial services offering which performed well in the past financial year. While our operations outside of Botswana only have the basic financial services offerings, we plan to expand this to the full offering in due course.

One of the most critical developments in advancing our growth strategy occurred post-year-end with the acquisition of a controlling stake in Kamoso Africa. The acquisition will add synergies into the Group's operations and vertical integration of retail through Liquorama and Builders Mart. Both of these add retail diversification to the Group in three growing sectors in the African market being liquor, construction and medical. Choppies was the only retailer in Botswana not to have a liquor offering. In addition there will be backward integration with some of our current suppliers acquired in the transaction in such areas as milling and packaging. Most of the businesses will be integrated within two months while the balance, primarily Builders Mart, will be integrated before the end of the financial year.

One of our exciting developments this year has been the launch of the farmers' app. We believe this will give the local farmers better access to the market as well as financial support from lenders on a sustainable basis.

We continued to roll out new house brands and our confined skincare brand Lumo has been performing well. We are looking at adding additional Lumo products as well as other confined brands during the next financial year.

The uptake of online retail remains slow across our countries of operation with in-store shopping still the preference. Some of our Botswana stores continue to offer online delivery.

## Governance

We are committed to upholding the principles of good corporate citizenship. We have applied King IV in this regard. More information on our sound governance is set out on pages 76 to 83.

## ESG

ESG has been a particular focus for Choppies and we are pleased to have completed our pilot solar projects and are progressing in rolling these out to other sites. We firmly believe that ensuring the sustainability of our environment and the communities in which we operate is critical to our own sustainability.

One of our exciting developments this year has been the launch of the farmers' app. We believe this will give the local farmers better access to the market as well as financial support from lenders on a sustainable basis.

## Our people

Our people are critical to our business and ensuring we train and upskill them is a priority. This includes having a solid succession plan and in line with this, deputy CEO Vinod Madhavan joined the Group during the year. We further appointed three specialised heads for On The Go, Butchery and HMR.

## Outlook and prospects

The easing of the impact of the Russia and Ukraine war and inflation should give us room to recover further. The Group is quietly confident of better results going forward with the opening of new stores and scaling up in other countries ameliorating the current drag on Botswana profits. Our long-term aim is to open up 300 stores compared to our current tally of 177, which will provide significant benefit of scale.

We expect our expansion in other countries to have a positive knock-on effect on Botswana's profits. The Kamoso acquisition will also provide further opportunity for growth.

## Appreciation

I want to express my gratitude for the hard work and determination our Board, management, staff, and everyone else put in to produce these positive results. Additionally, I want to express my gratitude to our stakeholders, clients, vendors, and farmers for their continued support.

**Ramachandran Ottapathu**
*CEO*

20 September 2023

# CHIEF FINANCIAL OFFICER'S REPORT

## Barring the hyperinflation issues affecting the Zimbabwe segment, the Group performed well in all other countries.

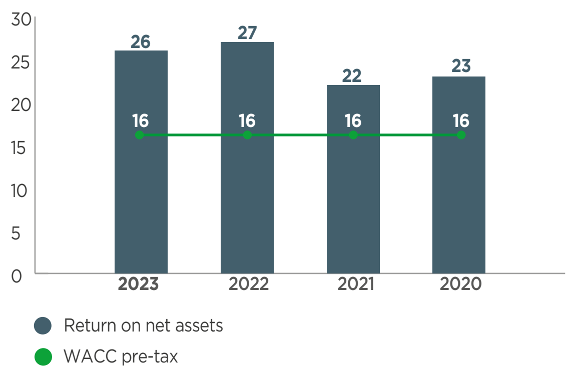
***Minnesh Rajcoomar***
*CFO*

### HIGHLIGHTS

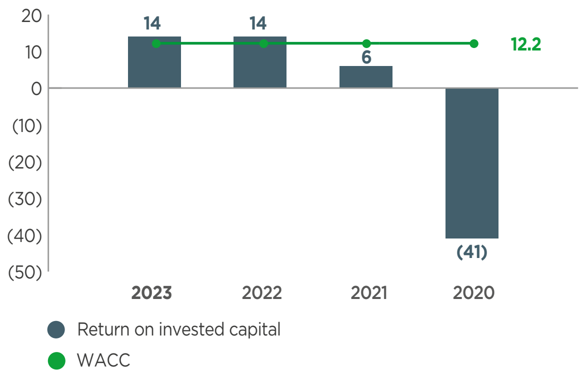
- The Group is now technically solvent by BWP42 million
- Debt reduction of BWP270 million plus a further BWP114 million subsequent to year-end
- Group funding covenants complied
- Namibia and Zambia segments grew adjusted EBITDA

## SHAREHOLDER RETURNS

**Return on net assets**




**Return on invested capital**




Our return on net assets ("RONA") at 26%, while lower than last year, remains well above our pre-tax weighted average cost of capital ("WACC") of 16%. The current year's return is trending towards the returns achieved a decade ago during Choppies' peak share performance. Our return on invested capital ("ROIC") at 14% is above the WACC of 12%.

The Board has considered it prudent not to declare a dividend for the period under review (2022: nil). We anticipate the resumption of dividend declarations commencing in the first half of financial year 2024. This interim dividend will be paid in April 2024.

## SEGMENT ANALYSIS

Extract from the operating segment information from note 2 on page 150 of the annual financial statements.

### 30 June 2023

| *Figures in Pula million*<br>*June 2023 (Audited)* | Botswana | Namibia | Zambia | Zimbabwe | Group | Group excluding Zimbabwe |
|---|---|---|---|---|---|---|
| **Statement of profit or loss and other comprehensive Income** | | | | | | |
| Revenue | 4 499 | 443 | 1 141 | 403 | 6 486 | 6 083 |
| Retail sales | 4 459 | 440 | 1 133 | 401 | 6 433 | 6 032 |
| **Adjusted EBITDA** | **405** | **12** | **75** | **(3)** | **489** | **492** |
| **EBITDA** | **403** | **12** | **64** | **(12)** | **467** | **479** |
| Depreciation and amortisation | (145) | (14) | (30) | (4) | (193) | (189) |
| **Operating profit/(loss) (EBIT)** | **258** | **(2)** | **34** | **(16)** | **274** | **290** |
| **Adjusted EBIT** | **221** | **(6)** | **37** | **(7)** | **245** | **252** |
| **Growth** | | | | | | |
| Sales | 5.9% | 60.0% | 44.7% | (48.3%) | 6.5% | 14.5% |
| Adjusted EBITDA | 0.0% | 140.0% | 27.1% | (108.1%) | (3.4%) | 4.9% |
| EBITDA | 5.8% | 140.0% | (26.4%) | (125.5%) | (10.2%) | 1.3% |
| EBIT | 35.1% | (77.8%) | (48.5%) | (151.6%) | (1.8%) | 16.9% |
| Adjusted EBIT | 2.8% | (33.3%) | (2.6%) | (133.3%) | (7.5%) | 3.3% |
| **Pula change** | | | | | | |
| Adjusted EBITDA | – | 7 | 16 | (40) | (17) | 23 |
| EBITDA | 22 | 7 | (23) | (59) | (53) | 6 |
| EBIT | 67 | 7 | (32) | (47) | (5) | 42 |
| Adjusted EBIT | 6 | 3 | (1) | (28) | (20) | 8 |

* *Adjusted EBITDA and adjusted EBIT in the operating segmental information are EBITDA and EBIT excluding foreign exchange rate differences on IFRS 16* Lease liabilities, *profit or loss on sale of assets, reassessment adjustment for depreciation, Zimbabwean legacy debt receipts as well as income or expenditure of a capital nature.*

**Exchange rate – BWP1.00 equals**

| | Botswana | Namibia | Zambia | Zimbabwe | Group | Group excluding Zimbabwe |
|---|---|---|---|---|---|---|
| **2023** | | **1.40** | **1.42** | **424.74** | | |
| 2022 | | 1.32 | 1.35 | 29.45 | | |

The Group's retail sales increased by 6.5% to BWP6 433 million (2022: BWP6 042 million), driven by 16 new stores coupled with price growth of 6.8%. Sales volumes increased by 1.6% and (excluding the new stores) declined by 4.6% on a comparable basis. Excluding Zimbabwe, Group sales grew 14.5%.

In Pula terms, gross profit grew by 4.0% to BWP1 359 million (2022: BWP1 307 million) despite the challenging economic environment. Botswana and Namibia grew gross profit rates marginally while rates in Zambia and Zimbabwe declined.

The Group faced a demanding economic environment characterised by stubbornly high inflation, higher interest rates and unemployment, all of which continue to constrain consumer spending and the consumer's ability to digest higher prices. Sales volumes were lower in many categories, exacerbated by competitor discounting, with cost pressures only partly recovered through price increases.

The gross profit margin was accordingly reduced to 21.1% from last year's 21.6% due to higher supply chain costs, including fuel and managing prices in response to higher cost inflation and competitor discounting.

While expenses increased 5.1%, excluding the depreciation restatement, expenses grew 9.8%, partly due to new stores and inflation. Foreign exchange losses on lease liabilities of BWP31 million (against a gain of BWP28 million last year) were partly offset by foreign exchange gains on Zimbabwean legacy debt receipts of BWP18 million (2022: BWP15 million).

Operating profit (EBIT) reduced by 1.8% from BWP279 million to BWP274 million while adjusted EBIT, which excludes foreign exchange gains and losses on lease liabilities, movements in credit loss allowances, Zimbabwean legacy debt receipts and the reassessment of depreciation, reduced by 7.5% as costs grew faster than gross profit. Excluding Zimbabwe, EBIT grew 16.9% and adjusted EBIT grew 3.3%.

Net finance costs were higher than last year due to higher interest rates and interest on new stores lease liabilities.

The effective tax rate is lower than the standard rate mainly due to the legacy debt receipts from Zimbabwe that are exempt from income tax and the raising of deferred tax on carried forward tax losses. We raised a deferred tax asset of BWP23 million for Zambia as we are now confident that this country will generate taxable profits in the foreseeable future.

In the interest of transparency, we detail the reconciliation between profit after tax as reported and adjusted profit after tax.

| *Reconciliation of profit after tax as reported to adjusted profit after tax* | **30 June 2023 BWPm** | 30 June 2022 BWPm | % Growth |
|---|---|---|---|
| Profit after tax | **150** | 145 | 3.4 |
| Foreign exchange on lease liability | **31** | (28) | |
| Choppies SA costs | **–** | 20 | |
| Impairments and sale of assets | **2** | 9 | |
| Depreciation reassessment | **(51)** | – | |
| Zimbabwean legacy debt receipts net of commission | **(11)** | (15) | |
| Deferred tax on assessed losses | **(15)** | – | |
| **Adjusted profit after tax** | **106** | 131 | (19.1) |

## Zimbabwe

As the Zimbabwean segment severely affected the Group results, we provide more commentary on this segment's performance.

As reported in the first half, the Zimbabwean Dollar ("ZWL") has significantly weakened especially in the last two months of the financial year.

The table below details the rate over the last 12 months.

| | July 2022 | December 2022 | **April 2023** | **May 2023** | **June 2023** | **August 2023** |
|---|---|---|---|---|---|---|
| ZWL:US$ | 495 | 655 | **1 047** | **2 577** | **5 740** | **4 608** |
| ZWL:Pula | 40 | 51 | **79** | **187** | **425** | **343** |

There are several factors causing the challenges of currency-volatility:

- Weak consumer confidence
- Appetite for United States Dollars for safety of value
- Speculative behaviours and general market indiscipline
- As the economy is now largely dollarised, this leads to high demand for the United States Dollar as most people are paid in Zimbabwean Dollars. This continues to devalue the local currency.

The country has been struggling with economic challenges for many years, including high inflation, high unemployment levels and a shortage of foreign currency.

Zimbabwean consumers are increasingly looking for more affordable and convenient shopping options. Consumers have significantly shifted to shopping at smaller stores and from formal retailers because smaller outlets are able to operate with lower overhead costs, which allows them to offer lower prices to consumers and better exchange rates not necessarily compliant with exchange laws.

This is important for consumers who are struggling to make ends meet in a difficult economic environment where salaries have been decimated by high levels of inflation and currency depreciation.

We are closely monitoring the exchange rate as it will impact both Zimbabwe's and the Group's profitability and net asset value.

As a result of the above-mentioned factors, Pula sales declined by 48.3%. EBIT and EBITDA declined by 151.6% and 125.5%, respectively, as cost inflation reduced margins. Adjusted EBIT and adjusted EBITDA declined 133.3% and 108.1%, respectively.

## STATEMENTS OF FINANCIAL POSITION AND CASH FLOWS

The rights offer was successfully finalised by year-end with a portion of the proceeds paid toward debt during and after the year-end.

The Group continues to manage its cash resources and liquidity prudently with a reduction of BWP270 million in debt and a further BWP114 million subsequent to year-end with BWP87 million paid out of internally generated funds and the balance of BWP297 million paid out of the proceeds of the rights issue. Capital expenditure increased to BWP185 million (2022: BWP122 million) as the Group invested in new stores and maintained the distribution fleet. We raised BWP50 million from leases to fund the fleet (2022: BWP36 million).

Despite the growth in sales, inflation and new stores, our inventory reduced by BWP20 million helped by more stable global supply and the benefits of implementing our inventory optimisation system.

As the economies in which the Group operates recover and the new stores reach full potential, an improvement in margins is expected. With a value proposition that resonates with customers and with the cost of everyday items still stubbornly high in too many categories, more customers are choosing Choppies for the value and assortment we are known for. While we have strong and resilient brands, affordability is a growing constraint for consumers, limiting their ability to digest higher prices.
We are being thoughtful and balanced about inventory levels by category and expenditure as we work and position ourselves for next year.

Group funding covenants were complied with, and the Group has sufficient headroom in the covenants to cushion any shocks.

## GOING CONCERN

The Board is satisfied that the Group is a going concern and therefore continues to apply the going concern assumption in the preparation of the financial statements.

## THE YEAR AHEAD

### Kamoso acquisition

On 19 July 2023, Choppies acquired 76% of the Kamoso Group for BWP2.00 and took cession of shareholders' loans to the value of BWP22 million. The Botswana Development Corporation ("BDC") will retain its 24% stake.

The table below details the purchase consideration.

**Purchase consideration**

| Fair value of assets acquired and liabilities assumed | BWPm |
|---|---|
| Property, plant and equipment | **80** |
| Right-of-use assets | **114** |
| Goodwill | **39** |
| Deferred tax Choppies SA costs | **8** |
| Inventories | **122** |
| Trade and other receivables | **109** |
| Taxation refundables | **12** |
| Operating lease liability | **(124)** |
| Shareholder loans | **(47)** |
| Trade and other payables | **(202)** |
| Current tax payable | **(3)** |
| Bank overdraft | **(131)** |
| Contingent liability | **(26)** |
| Total identifiable net liabilities | **(49)** |
| Non-controlling interest | **12** |
| Goodwill | **59** |
| Purchase consideration | **22** |

### Kamoso strategic fit

- The retail businesses of Kamoso includes a well-established hardware business and this fits nicely with our current strategy
- Kamoso also has a well-established and dominant liquor business. Choppies Botswana is the only one of the four countries that does not have a liquor business and the only major grocery retailer in Botswana without a liquor business
- Keriotic, the business supplying general merchandise and limited dry food and beverages will be sold. We will also sell the water bottling plant. Capital raised will be used to settle debt
- The milling businesses are either manufacturing or wholesale and there is significant benefit from backward vertical integration. These three businesses collectively have Choppies Botswana as a customer making up around 65% of total revenues.

The table below details the impact of Kamoso on sales and footprint:

| | Choppies | Kamoso* | Combined |
|---|---|---|---|
| Sales – billions | **6.4** | **1.3** | **7.7** |
| Number of retail stores | **177** | **108** | **285** |
| Number of employees | **9 740** | **990** | **10 730** |

** Kamoso Group excluding inter-company sales.*

We will provide more guidance on Kamoso when we release our December 2023 half-year results.

## FY2024 OUTLOOK

We had a much stronger second half in June 2023 financial year, and this trend continues in the quarter to September 2023, except for Zimbabwe.

| FY2023 | % growth full year | % growth 1st half | % growth 2nd half |
|---|---|---|---|
| **Group** | | | |
| Sales | **6** | **9** | **4** |
| EBITDA | **10** | **14** | **5** |
| Adjusted EBITDA | **(3)** | **(10)** | **4** |
| **Group excluding Zimbabwe** | | | |
| Sales | **15** | **12** | **17** |
| EBITDA | **1** | **(21)** | **38** |
| Adjusted EBITDA | **5** | **(11)** | **26** |

The quarter to date September 2023 performance for Botswana, Namibia and Zambia continues to improve. We are monitoring the situation in Zimbabwe.

## APPRECIATION

Thank you. Gratitude is the first, last and most important thing that I would like to convey with this report. To our shareholders, we appreciate your confidence in our company. Many of you have held our shares for a long time and that means the world to us. To our associates, you did such a great job navigating a challenging year. FY2023 brought new surprises and challenges and our staff handled everything with such a positive attitude.

Around the Group, we have great people and a powerful set of assets and capabilities. With our combination of stores, distribution centres and eCommerce capabilities, we are positioned to serve people however they want to shop. They can come and see us in a store and order from an increasingly broad assortment. They can save money and time with us however they choose to at that moment.

We are impressed and grateful to all stakeholders.

**Minnesh Rajcoomar**
*CFO*

20 September 2023

# FINANCIAL RATIOS AND STATISTICS

| | | **2023** | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| **Profit information** | | | | | | | |
| Retail sales | BWP million | **6 433** | 6 042 | 5 331 | 5 421 | 5 359 | 6 292 |
| Gross profit | BWP million | **1 359** | 1 307 | 1 189 | 1 253 | 1 216 | 1 278 |
| Gross profit margin | % | **21.13** | 21.6 | 22.3 | 23.1 | 22.7 | 20.3 |
| Operating profit | BWP million | **274** | 279 | 226 | 208 | 92 | 5 |
| Operating profit margin | % | **4.26** | 4.6 | 4.2 | 3.8 | 1.7 | 0.1 |
| Profit/(loss) for year | BWP million | **150** | 145 | 60 | (371) | (428) | (445) |
| Headline earnings/(loss) for year | BWP million | **148** | 162 | 84 | (199) | (337) | (89) |
| **Financial position information** | | | | | | | |
| Total assets | BWP million | **2 177** | 1 886 | 1 703 | 1 841 | 2 187 | 3 013 |
| Total equity | BWP million | **42** | (341) | (448) | (467) | (80) | 576 |
| Total liabilities | BWP million | **2 135** | 2 227 | 2 152 | 2 308 | 2 267 | 2 436 |
| Net assets | BWP million | **1 129** | 1 030 | 1 002 | 1 054 | 764 | 1 472 |
| **Profitability and asset management** | | | | | | | |
| Return on total assets | % | **13.5** | 15.5 | 12.8 | 10.3 | 3.5 | 0.2 |
| Return on equity | % | **350** | Neg | Neg | Neg | Neg | Neg |
| Return on net assets ("RONA") | % | **25** | 27.5 | 22.0 | 22.9 | 8.2 | 0.3 |
| Net asset turn | times | **6** | 5.9 | 5.2 | 6.0 | 4.8 | 4.0 |
| **Shareholders' ratios** | | | | | | | |
| Earnings per share | thebe | **10.9** | 10.7 | 5.2 | (25.3) | (30.2) | (32.1) |
| Headline earnings per share | thebe | **11.10** | 12.4 | 6.5 | (15.3) | (25.9) | (6.9) |
| Dividend per share | thebe | **–** | – | – | – | – | – |
| **Stock exchange statistics** | | | | | | | |
| Market value per share ("BSE") | | | | | | | |
| – At year end | thebe | **64** | 49 | 60 | 60 | 60 | 250 |
| – Highest | thebe | **67** | 60 | 61 | 69 | 69 | 250 |
| – Lowest | thebe | **49** | 49 | 60 | 60 | 60 | 40 |
| Number of shares issued | million | **1 824** | 1 304 | 1 304 | 1 304 | 1 304 | 1 304 |
| Number of transactions | | **1 878** | 2 549 | 3 426 | Sus | 8 281 | 6 026 |
| Number of shares traded | '000 | **44 563** | 29 129 | 169 443 | Sus | 235 459 | 196 799 |
| Value of shares traded | BWP million | **21** | 15 | 103 | Sus | 152 | 468 |
| Closing market capitalisation based on issued shares | BWP million | **1 168** | 639 | 782 | 782 | 782 | 3 259 |

*Notes*
*1 Neg – Ratio is negative.*
*2. Sus – Indicate year share trading was suspended (November 2018 to July 2020).*

## Definitions

**Operating profit margin**
Operating profit before interest and tax as a percentage of revenue.

**Net assets**
Net assets are defined as non-current assets plus trade and sundry debtors plus inventories less trade and sundry creditors (accruals and provisions). For clarification Income and deferred tax balances are excluded. Net assets also exclude any cash, interest-bearing liabilities and liabilities relating to leases in terms of IFRS 16.

**Return on total assets**
Operating profit as a percentage of average total assets.

**Return on equity**
Net profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' interest.

**Return on net assets**
Operating profit before interest and income tax as a percentage of average net assets.

**Net asset turn**
Revenue divided by average net assets.

**Basic earnings per share**
Net profit for the year divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares).

**Headline earnings per share**
Headline earnings divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares).

**Headline earnings**
Net profit for the year adjusted for profit/loss on sale of property, plant and equipment, and investments.

# 04

# Operating sustainably


Choppies offers ongoing access to a variety of goods and services to its communities.

## OPERATING SUSTAINABLY

# OUR PEOPLE

Our people are critical to the successful execution of our strategies and to the long-term sustainability of the business. Through our human capital commitments, we endeavour to create an environment that values diversity and ensures equal opportunity while respecting human rights.

Choppies takes a people-focused approach which looks to build an employee value proposition that will empower, recognise and reward the talent needed to achieve its objectives. We are the second largest employer after government in Botswana which is why we continue to place a premium on providing excellent working conditions as well as ample possibilities for employee advancement and development.

We treat employees equally across all operations and business segments and ensure we provide them with similar opportunities. Our workforce currently stands at 9 740 people across four countries. We employ the largest contingent of people with disabilities in Botswana and encourage this in our other countries of operation.

One of our key strengths is the training and upskilling of our people with a significant annual training spend of approximately BWP3.6 million. Employees are also provided with a clear career path with many having started as shelf packers and now working as regional managers.

Our employees are part of a pension scheme administered by Alexander Forbes. We as the employer contribute 7% and the employee 6%. Monthly contribution stands at average BWP1.54 million (employer BWP834 000 and employee BWP715 000).

We have a whistleblowing system in place and all complaints received during the year were addressed.

In addition, no incidences of discrimination and labour unrest were reported during the year.

**Employees by job level and gender**

Employees at 30 June 2023

| | Botswana | Namibia | Zambia | Zimbabwe | Total |
|---|---|---|---|---|---|
| Male | 3 141 | 287 | 770 | 829 | 5 027 |
| Female | 3 165 | 404 | 544 | 600 | 4 713 |
| **Total** | **6 306** | **691** | **1 314** | **1 429** | **9 740** |

**Total number of jobs created during the year**

| | Botswana | Namibia | Zambia | Zimbabwe | Total |
|---|---|---|---|---|---|
| **Total** | **389** | **186** | **78** | **–** | **653** |

**Employees represented by unions (17% of total employees)**

| | Botswana | Namibia | Zambia | Zimbabwe | Total |
|---|---|---|---|---|---|
| **Total** | **–** | **328** | **332** | **983** | **1 643** |

## Skills development and training

We provide skills development and training opportunities to facilitate career development for our employees. Learning programmes have been developed to enhance employee knowledge and understanding of the Group's strategic growth drivers, customer relations, stock management, revenue expansion and regulatory requirements.

### Training conducted during the year

| | Botswana | Namibia | Zambia | Zimbabwe | Total |
|---|---|---|---|---|---|
| **Total** | **1 190** | **52** | **132** | **585** | **1 959** |

We spent BWP3.6 million on training in FY2023 and upskilled 1 959 employees.

Choppies also provides on-the-job training on the code of conduct. Each training programme should:
- Be relevant to Choppies
- Ensure measurable outcomes
- Ensure the employee can demonstrate the training learnings at the work place.

The goal is also to ensure that every person in the organisation receives at least 10-hours of training every two years. An external consultant provides a training plan for newly hired supervisors and interns. The 11 modules are yet to be implemented as we await accreditation with the regulator.

Skills development remains one of the 15 objectives set forward by top management as part of a five-year plan. The head of Human Resources is in charge of skills development and training, with the help of an outside consultant.

During the year, the following programmes took place:

### Botswana

| Training programmes | No of participants |
|---|---|
| Coaching skills for managers | 47 |
| Basic management skills | 43 |
| Conducting effective performance review | 116 |
| Microsoft Excel level 1 | 143 |
| Customer service | 505 |
| Forklift training | 184 |
| Business ethics and etiquette | 98 |
| Basic First Aid | 50 |
| Other management training | 4 |

### Namibia

| Training programmes | No of participants |
|---|---|
| Training on Polaris system | 13 |
| Forklift training | 20 |
| Health and safety | 4 |
| Health and safety – She rep | 4 |
| Initiator training – labour | 11 |

### Zambia

| Training programmes | No of participants |
|---|---|
| General training | 132 |

### Zimbabwe

| Training programmes | No of participants |
|---|---|
| General training | 585 |

## SUPPORTING EMPLOYEES ON POST-GRADUATE PROGRAMME FOR MASTER'S DEGREES IN INDIA

In our continued effort to advance training and development, Choppies management supported two employees who won the 2021/22 (ICCR) scholarships through the Indian Embassy in Botswana.

The duo enrolled for Bachelor of Commerce and a Masters of Business Administration ("MBA").

Kabo Gofenyamang successfully completed his MBA and returned home while Otshepeng Boitshepo has a year remaining to complete her BCom.

Mr Kgotla, Group Head of Human Resources: "Kabo's accomplishment is a great milestone that will propel him to greater heights in pursuit of his retail career. I encourage other employees to take a leaf from this achievement and tap into the many training and development opportunities that may come their way within and outside the organisation." On his return, Kabo was promoted from Assistant Manager to an executive management position of Trainee Regional Manager.

Kabo started working for Choppies as a Graduate Trainee Manager in July 2018. He was later promoted to the position of Assistant Branch Manager in July 2021 before enrolling for his MBA.

## Choppies Graduate Trainee programme

We have established a graduate training programme in partnership with several universities including the University of Botswana. The Choppies Graduate Trainee Programme exposes graduates to opportunities in the retail industry, providing formal training in all areas of the fast-moving consumer goods market. A specific agreement is in place with the University of Botswana targeting ICT graduates to align with the Company's focus on applying technology in the business.

The training programme ran from February 2022 to February 2023. During the year, 46 Batswana graduates benefited from the programme and seven candidates completed their training and have since been promoted to the position of Assistant Manager in Maun, Francistown, Shakawe, Nata and Gaborone. One trainee regional manager has been identified as understudy graduates to be trained, upskilled and to take over as independent regional managers in the near future.

The programme runs annually and has a new batch of 50 graduates from various disciplines mostly business administration and logistics who started training in March 2023.

## Creating local employment

The Company has over the years had a dynamic workforce with professionals from diverse backgrounds underpinned by its sustainable goal to localise key positions across the board. At present, all branch manager positions are localised. Previously each store had at least two people from outside of the country which is no longer the case. This is a direct result of a localisation plan that started in 2010.

Part of this includes set understudy roles which are filled by citizens for the deputy CEO and CFO.

## Disability policy

In line with our policy, Choppies commits to standing against discrimination of people living with a disability. The Group upholds that disability is not an inability and has demonstrated this over the years. We are the leading employer of people living with disability in Botswana, employing 63 people (30 female and 33 male).

## Health and safety

Choppies is committed to ensuring the health, safety and welfare of its employees. We subscribe to a zero-harm policy and are committed to preventing accidents that may affect our employees, customers, equipment or facilities. We train our staff on occupational health and safety including trainings on first aid and managing process for various injury scenarios.

We are currently reviewing and updating the safety, health, and environment ("SHE") policies.

Choppies conducts internal hygiene audits based on an external review conducted by BDO. We therefore implement internal hygiene audit methods which have proven to be more effective as they are conducted more frequently by auditors that are more familiar with our operations.

BDO also conducted a risk assessment during the year based on ISO 45001 requirements (although Choppies is not ISO certified) and all areas identified for improvement will be addressed in the revised SHE policy.

A team of 26 personnel continually monitor operations and sanitary standards through video surveillance. Each store has a dedicated SHE representative who receives specific SHE training. All staff also receive occupational health and safety ("OHS") training.

Similar to safety audits, hygiene audits have also been converted into an internal exercise. External audits are done on request and are used to maintain the element of randomness. Live monitoring is done through the use of cameras to ensure that all parameters are followed and action is taken as soon as an incident is identified.

We are planning to create an OHS reporting system to encourage employees to report any potential hazards or incidents, thereby creating an open culture to facilitate early detection of any potential safety issues.

# OUR COMMUNITIES

True to its purpose and central to Choppies' success is its approach to "shared value".

The Group has a vast distribution network especially in Botswana and has a stated aim that 90% of the population should be within a 10km radius of a Choppies store especially in underserved rural areas, providing access to great value groceries to most citizens. The Group is therefore well positioned to engage in shared value projects with local communities to create economic value in a way that also creates value for society.

## CREATING SHARED VALUE

- Suppliers introduced
  - **111** small stock breeders
  - **268** small scale manufactures
- **63** people with disabilities employed.

### Partnering with local farmers

Having sold more than 60% of all fresh produce in Botswana, ample opportunities exist to partner with farmers for bulk crop buying agreements, benefitting the farmers as well as Choppies and its customers.

We have collaborated with more than 100 farmers in the Kgalagadi district for the supply of goats, sheep, and cattle with an average monthly purchase value of BWP3–4 million.

| | Botswana | Namibia | Zambia | Zimbabwe | **Total** |
|---|---|---|---|---|---|
| **Total registered farmers** | 3 560 | 52 | 191 | 534 | 4 337 |
| **New farmers registered FY2023** | 593 | 25 | 52 | 167 | 837 |

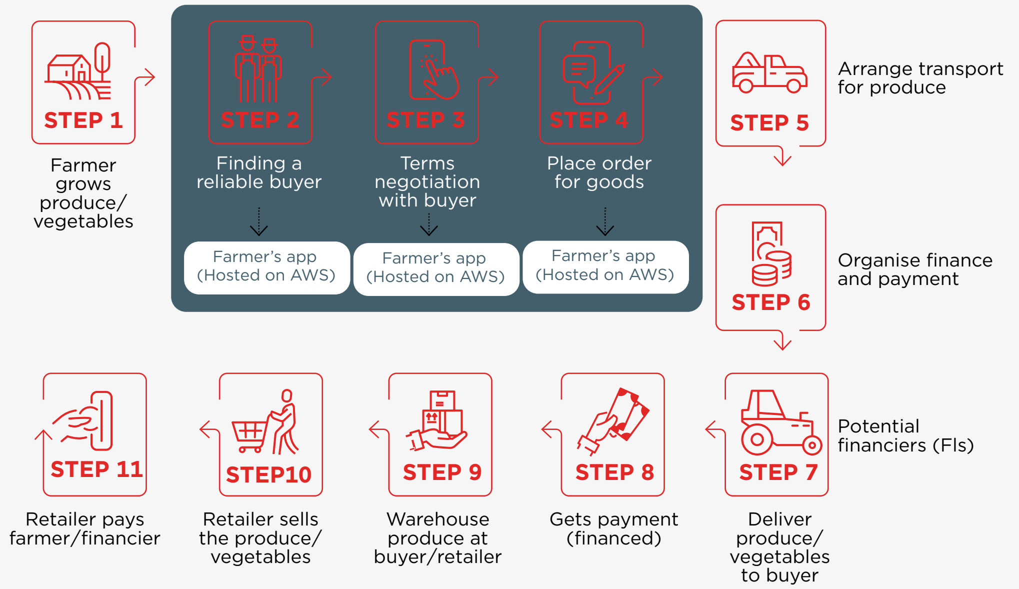
## Motopi – our new farmers' app

During the year, we were excited to launch Motopi – our unique cloud-based app aimed at farmers in Botswana. Fresh fruit and produce are Choppies' primary products and buying from local producers is emphasised in Botswana.

The app aims to:

- Ease the buyer/order discovery phase for a farmer in Botswana
- Connect farmers (especially MSME farmers) with Choppies
- Enable farmers to share the pictures of their produce/ vegetables/fruits with Choppies
- Allow an easy way to negotiate pricing/ agree location of delivery
- Store the final committed purchase onto a private blockchain to enable financing (collaborating with potential financiers).

A typical farmer's journey has 11 steps and the farmers' app aims to assist the farmer in a part of the typical farmer's journey, as highlighted below:




Motopi aims to facilitate steps two to four, which are finding a reliable buyer, negotiating with the buyer and placing an order for goods. Choppies is perfectly positioned with locations throughout the country, thereby offering farmers a local buyer. Storing the transaction on a private blockchain reduces the operational risk, and therefore we are engaging financiers (commercial banks, as well as quasi-governmental bodies) so that they could make finance available for farmers (a key requirement, especially in the MSME sector).

To date, c. 50 farmers have registered on the app. We plan to grow the app further during the coming year, as well as roll the app out into other markets (especially Zambia and Zimbabwe).

## Farmers' stories

### B & B AGRI FARM

**Produce:** Tomatoes and red cabbage
**Employees:** six

Thank you Choppies for your support. Producing tomatoes and red cabbage helps us to grow and contribute to our nation. Since starting as a small-scale farmer, Choppies' support has helped us to grow.

We look forward to Choppies' continuous support, our partnership and our long-time business relationship, growing the horticulture industry and being part of Choppies' journey of successes.

## GREEN VIEW FARM

**Produce:** Cabbage
**Employees:** 12

We are grateful for the support that we have received from Choppies over the past 13 years. Having started as a small-scale farmer with limited crops in rape and spinach, we have managed to expand our business over the years with Choppies' support and adding more items such as cabbage, lettuce, tomatoes and beetroot to our vegetable produce. With Choppies' help and support we are able to feed our nation and grow our business. Thank you Choppies Group.

## LESECON AND M ENTERPRISES

**Produce:** Lettuce
**Employees:** 18

We want to express our appreciation for the support and good relationship that exists between our company and Choppies over the past nine years.

Your contribution towards the development of the horticulture industry and in particular towards the growth of small scale farmers including ourselves cannot be underestimated.

Thank you again and keep supporting local produce.

## LUCERNE FIELDS (PTY) LTD

**Produce:** Carrots and beetroots
**Employees:** 200

B-Fresh Hydro-cooled carrots and beetroots are produced by a team of 200 Batswana at Lucerne Fields Farm in the Tuli-Block. We are committed to contributing to Botswana's food security status with the great support of Choppies and we are thankful for their continuous support in achieving this.

We are proud to supply Choppies Stores with fresh carrots and beetroot year-round.

## REQUEST TULI FRESH

**Produce:** Potatoes
**Employees:** 132

Request Tuli Fresh gives a huge thank you to Choppies for yet another great year. 2022 was not an easy year as it had its challenges but Choppies gave us continuous support on strategies, planning, guidance and numerous things. With this opportunity, we have 80 permanent staff and 52 seasonal workers which results in 132 positions filled where 52 are men and 80 are women. Every position filled in our production line gives the employees the opportunity to learn about agriculture, responsibilities and it also creates the benefit of getting an income to feed their families and creates better opportunities for their children. With this success, we can give back to the country by helping people that are in need. We donate annually to local establishments such as orphanages, schools and old age homes that need help financially or with vegetables. That's how Choppies' love grows and spreads out over Botswana.

We thank Choppies for their loyalty and for looking out for us with such great support, thank you for supporting horticulture in Botswana, and the community. We are very much looking forward to the journey with Choppies in the years to come.

## VEGI BLOCK

**Produce:** Onions
**Employees:** 120

Vegi Block (Pty) Ltd is a relatively new company. In 2019, we started small with a workforce of 20 to 30 staff with hopes of a big future in vegetable farming. We developed a farm with no infrastructure are now a fully developed commercial farm with a workforce of more than 120 staff during our peak seasons. Our workforce consists of 70% female and 30% male staff. Choppies had a very big role in our company's growth due to the support in reasonable deals and great assistance.

We are proud to be one of the Choppies suppliers and we are thankful for the great relationship that we have with Choppies. Together with the Choppies team, we will strive to ensure that Botswana becomes self-sufficient with high quality fruits and vegetables to offer to the country.

# OUR COMMUNITIES continued

## CSI activities during 2023

### WOMEN'S AFRICA CUP 2022 SPONSORSHIP

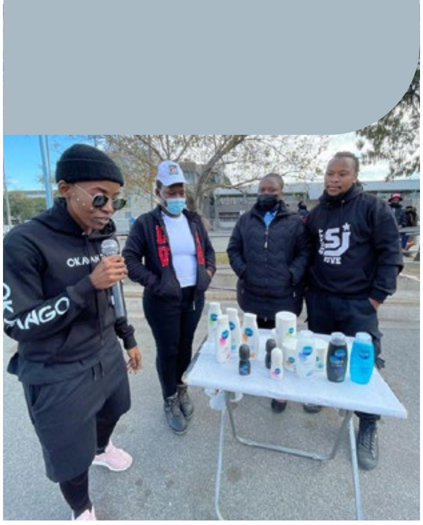
- Choppies Distribution Centre sponsored the Women's Africa Cup of Nations in 2022 in the form of food and refreshments. The whole tournament took place from 2 July 2023 to 23 July 2023 and was covered extensively by  the media.

### DIKOLOTI CLASSICS SPONSORSHIP

- Choppies was involved in the sponsorship of Dikoloti Classics in July 2023, a Horse Racing tournament with well-known jockeys.

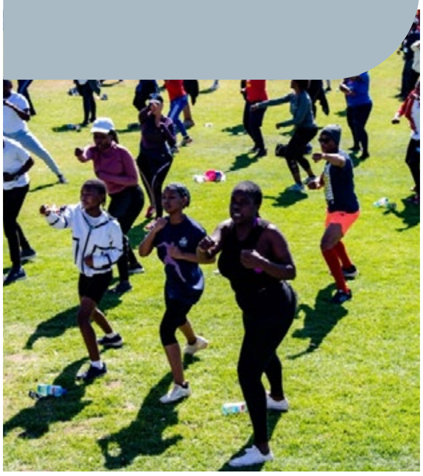
### STREET JIVE

- In July 2022, Choppies received a proposal from a group of runners who were keen on promoting our products and in return we supported their cause with financial contributions.



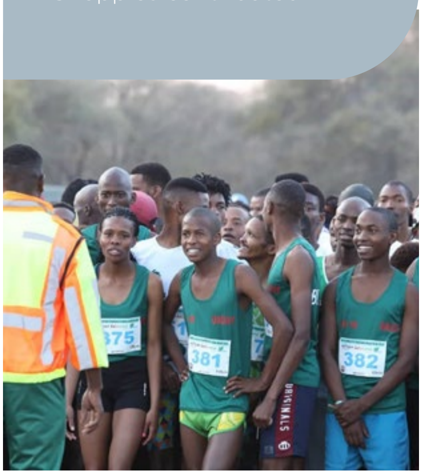
### KGALE HILL HEALTH AND FITNESS DAY

- Choppies in partnership with Maru TV was involved in the sponsorship of the Kgale Hill Health and Fitness Day. The sports events took place in August 2022.



### CHOPPIES SUPPORTING BDF ATHLETICS CLUB

- Choppies was an active sponsor for the Botswana Defence Force's Athletics Club in 2022. The Athletics Club organised a half marathon sporting event at Mogoditshane, to which Choppies contributed.




### FITNESS ACTIVITIES

- Choppies was involved in the sponsorship of a sporting event at Moshupa Police Station and handing over an outdoor gymnasium at the Mogoditshane Constituency Office.

## BOTSWANA FOOTBALL ASSOCIATION

- Choppies continued its association with the Botswana Football Association ("BFA") in 2022. The association is one of the most prominent sports associations in the country, which makes it a valuable partnership. In addition, The Ministry of Youth, Gender, Sports and Culture organised a football match between the cabinet members and the members of Parliament in partnership with Choppies
- Choppies was both a participant and a sponsor of the Matlolapata Soccer Tournament, an annual football event that takes place in December and involves several teams who compete with full vigour.


## DIACORE MARATHON

- In January 2023, Choppies sponsored the Diacore Marathon which saw a good number of participations. The employees of Choppies were also encouraged to take part in the sports event.

## NECESSITIES DONATED IN MALAWI AND MOZAMBIQUE

- Choppies was one of the first organisations to extend its support to Malawi which was hit by Cyclone Freddy. Truckloads of essential supplies were sent to Malawi from Choppies Distribution Centre. In addition, Choppies extended its support to Mozambique which suffered terrorist attacks in the northern province of Cabo Delgado. Essential supplies were sent to Mozambique from the Choppies Distribution Centre.

## CHOPPIES SUPPORT FOR TRAGIC ROAD ACCIDENT

- We also extended our support by offering groceries for the funeral of 22 people who were lost in a tragic road accident in Francistown.


## CHOPPIES DONATES HOUSES IN MOGOBANE AND MOLEPOLOLE

- Choppies donated two houses in Mogobane and one house in Molepolole under the National Housing Appeal. This is an initiative that Choppies has been driving since 2010 to assist the government in alleviating poverty by providing shelter. The event was attended by the honourable council of Mogobane, who officially handed the house keys to the beneficiaries.

## WORLD ATHLETICS BOTSWANA GOLDEN GRAND PRIX

- Choppies committed to sponsor the prize monies for the Batswana athletes that finished in first, second and third places, in the 14 events at the World Athletics Botswana Golden Grand Prix Gaborone on 29 April. Choppies congratulates Letsile Tebogo for securing first place in 200m and second place in 100m race, and Leungo Scotch for finishing third in 400m.

# OUR COMMUNITIES continued

## CSI activities during 2023 continued

### BOYS AT THE BORDER

- Choppies donated food hampers to the Botswana Defence Force, Botswana Prisons Service and Botswana Police Service to appreciate their service to the nation during the festive holidays. The Honourable Minister of Presidential Affairs and Public Administration Honourable Morwaeng and Minister of Defence, Justice and Security Honourable Kagiso Mmusi accepted the donation on behalf of the three institutions at the Office of the President.

### AIRBORNE LIFELINE FOUNDATION

- Choppies signed a memorandum of understanding with Airborne Lifeline Foundation, a non-profit organisation operating in Botswana. The MOU allows the foundation to use Choppies aircraft at a reduced cost to transport ministry of health professionals to conduct outreach healthcare visits in remote parts of the country. During the month of May and June 2023, 34 specialist healthcare professionals travelled to treat 537 patients across the country using Choppies flights.

## Cultural and customary events

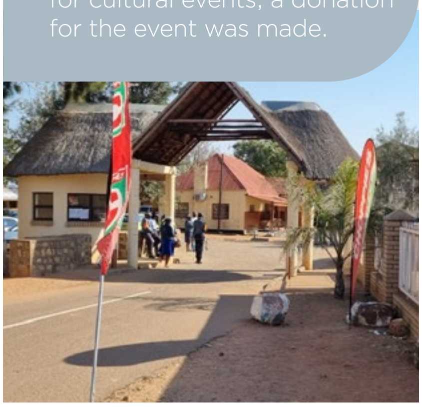
**Choppies continuously supported cultural events across the country such as the honouring of the Chief at Rakops and the Naledi Customary Court. Choppies supported these events by sponsoring the groceries and refreshments.**

### INDEPENDENCE DAY CELEBRATIONS

- The Independence Day celebrations in Botswana were organised at Gaborone West Kgotla. This was done with support and sponsorship from the Choppies Distribution Centre.

### SUPPORT TO THE BANGWAKETSE TRIBAL ADMINISTRATION

- The Bangwaketse Tribal Administration organised a cultural event on the 10th anniversary of Kgosi Malope the second. In line with Choppies' continuous support for cultural events, a donation for the event was made.



### BABYLON APOSTOLIC CHURCH

- The Apostolic Church of Babylon received sponsorship from Choppies for their daily functioning and operations. A part of this would also go for the public services by the church.

## SPONSORSHIP AT SETLHOA SA TUMELO

- The Church of Setlhoa Sa Tumelo received sponsorship from Choppies for their daily functioning and operations. A part of this would also go for the public services by the church.

## MOGODITSHANE DIKHWAERE CULTURAL EVENT

- One of the most prominent cultural fests in the country, Mogoditshane Dikhwaere was sponsored partly by Choppies, which has been a consistent supporter of the Mogoditshane Dikhwaere cultural events.

### Giving back to the community

**Choppies believes in giving back to the community positively. It is for this reason that Choppies donated food hampers for the communities in Letlhakeng, Molepolole, and Kopong.**

## CII-EXIM BANK EXHIBITION

- Choppies has been a regular sponsor for the CII-EXIM Bank Conclave on India-Africa Growth Partnership. The international exhibition which was held in New Delhi, India, saw several innovative exhibits and distinguished guests who were from different areas of expertise.


## THE BICA – FORUM 2022

- Choppies sponsored the BICA Forum for the year 2022, which comprises qualified Chartered Accountants in the country. It has been one of the most active professional forums, and Choppies has been privileged to be a part of it.

# OUR COMMUNITIES continued

## Giving back to the community continued

### CONVERSATION WITH AFRICA FORUM 2022

- Choppies sponsored the Conversation with Africa ("CWA") Forum 2022 which was under the Theme: "Role of African Women in Anchoring Sustainability in The Socio-Economic Development Agenda in Africa". Conversation with Africa Forum presented an opportunity for the business community business leaders, the diplomatic community, Chambers of Commerce in Africa, regional and international business leaders, senior government officials in the region and the Globe, and developmental partners from all spheres, to have a dialogue on topical issues, reforms and paramount frameworks.


### GRAND ENTREPRENEURS MEET

- Choppies sponsored the Grand Entrepreneurs Meet which is a grand gathering of entrepreneurs from different fields. The gathering is a one of a kind meeting, which has produced different business collaborations and the start of several new business ventures.

### CONFERENCE ON AGRICULTURE AND FOOD SAFETY

- Choppies sponsored the conference on Agriculture and Food Safety that was held in September 2022. The conference, which emphasised the best agricultural practices and food safety, witnessed several distinguished guests who were from different areas of expertise.

### THE FARMER'S SYMPOSIUM

- The Choppies team sponsored the Farming Symposium which was held on 5 November 2022 held at Molepolole. The event brought together farmers from different regions and helped with exposing them to various farming techniques.

### THE DINOKENG FISH FARMING EXHIBITION

- Choppies sponsored the Dinokeng Fish Farming Exhibition that was held in March 2023. The exhibition was held at Mochudi East Constituency gave participants an opportunity to showcase several innovative exhibits.

## WOMAN EMPOWERMENT EVENT

- Choppies sponsored the Woman Empowerment Event which was aimed at supporting women who face various challenges in their lives. The event was organised as a cocktail session with around 250 women.

## UNIVERSITY OF BOTSWANA FOUNDATION

- Choppies donated to the University of Botswana Foundation which is the alumni arm of the renowned university. We believe supporting one of the most active alumni associations of one of the best educational institutions in the country can go a long way in strengthening the educational infrastructure.


## MAGOTSWANA PRIMARY SCHOOL AND ARTESIA CJSS

- The Choppies team sponsored the pupils of Magotswana Primary School with energy drinks and refreshments. The team also donated sanitary pads to young women at Artesia CJSS and provided them with awareness sessions.

## TSHIDILONG HOME-BASED CARE COMMITTEE

- Choppies supported the Tshidilong Home-Based Care with donations of essential hampers. The care centre houses visually impaired people.

## BOTSWANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

- The Choppies team cares about the wellness of domestic animals and understands how important it is to ensure they are treated with love and kindness. Therefore the team donated hampers to the Botswana Society for the Prevention of Cruelty to Animals ("BSPCA").


## THORNHILL PRIMARY SCHOOL GOLF DAY

- Choppies sponsored a golf day organised by the Parents Teachers Association of Thornhill Primary School. The proceeds of the event were used to improve the school's infrastructure.

# OUR ENVIRONMENT

Choppies strives to continuously reduce its environmental impact by developing sustainability policies and projects that enhance its operational efficiencies. These are guided by the Choppies medium term strategy along with the King IV report. As such we are committed to creating sustainability projects, monitoring them and working to meet the goals established. Various controls are in place to ensure compliance. We are cognisant that there are a number of stakeholders in the downstream and upstream logistics network and we consistently strive to ensure that our partners in this network uphold sustainability principles in their operations.

The Group has also undertaken various social initiatives. Considering the high employment level and the economic impact, it is our duty to ensure that we support social causes and support society wherever we can. We actively seek to give a supporting hand to the citizens of the countries in which we operate.

## Environmental sustainability

**Key developments during the year**

- Solar installation completed at **two stores** in Namibia
- In Botswana, we have completed a solar installation at the Fruit & Veg distribution centre, which has generated over **175 MW** of power, as of mid-September, since going live.
- **Five stores** in Botswana are currently running a pilot water recovery system to recover water from different sources and recycle
- **93%** of the island freezers (92 stores, completed out of 99), which contributes to high energy consumption, were converted to energy efficient self-contained fridges
- A condensate return system is being trialled to **reroute the condensate** from the fridge lines to the ablution facility
- Refrigeration systems are being redesigned to **reduce the amount of refrigerants** in the system
- All stores in Botswana have been converted to energy saving **LED lights** and optimisation software used to reduce the number of lights
- **Waste segregation** is practiced in all stores. Paper, plastic, biodegradable waste and hazardous wastes are separated and handled accordingly
- Full commitment to the agreement signed with water utilities corporation on the quality of liquid effluents
- Replaced **35** old trucks with newer models with fewer carbon emissions
- Introduction of recipe books to help reduce food wastage
- Introduction of inventory management system to forecast the optimum level of inventory thereby helping to reduce food wastages
- Providing biodegradable checkout bags as an alternative to plastic
- Providing community education and training.

## Environmental key performance segments

Choppies measures its environmental impact using key performance measures and has identified five environmental key performance segments ("KPS") as set out below:

- Water usage
- Energy usage
- Waste generation and management
- Packaging material optimisation
- Logistics optimisation.

These KPS are aligned to the United Nations Sustainable Development Goals ("SDGs") and are currently only measured in our largest operation being Botswana. Measurement systems have been implemented and targets set to be achieved by 2025.

The nature of our business results in unavoidable impacts on the environment. Sourcing of food and non-food products, manufacturing activities within the stores, storage, distribution and waste generation each have specific impacts. We are committed to minimising such impacts and wherever possible, reversing these.

Notably there is an increasing demand from our customers for organic products and they have implicitly valued sustainable practices in their buying decisions. This provides us with a clear direction in the future.

## Guiding principles

Our environmental initiatives are based on three broad aspects:

| | |
|---|---|
| **UN SDGs** | External |
| **Shared value initiative** | Internal |
| **Choppies medium term strategy** | Internal |


We play an active role in addressing issues linked to our responsibility to operate sustainably in the countries where we have a presence. We operate in regions which consider water as the most important resource. Pula, which is the currency of Botswana also means rain. Hence it is all the more important to be as thrifty as possible with this resource.

# OUR ENVIRONMENT continued

Among these, Choppies has considered guidelines and projects for the purpose of environment in the following areas:

**The following initiatives are in place or being considered against SDG 6:**

- Recycling water generated in the refrigeration process. Estimations are currently being done to find out the amount of water which can be generated from condensates and aircons on an arid and humid day
- Recycling water from the filters used inside kitchens and from the water dispenser on the sales floor
- Ensuring clean drinking water for all employees
- Using tap fittings to reduce the use of water for ablution purposes.

**The following initiatives are in place under SDG 7:**

- Phased conversion of about 250 kW of load per store to Photovoltaic ("PV") solar energy. It has started in Namibia and will be in place in Botswana in the near future. All stores with the roof loading capacity will be converted to solar which can generate on average five hours of energy consumption with or without feed back to the grid
- Conversion of all lights to energy-saving lights
- Conversion of all island freezers to energy-conserving self-contained ones
- Repositioning cold rooms and freezer rooms to enhance productivity
- Introducing capacitor banks to improve power factor and hence the life of equipment.

**Production is an integral part of most of our stores. Striving for efficiency in cooking and baking is an ongoing exercise. The following initiatives are in place:**

- Managing raw material to minimise waste generation
- Re-engineering cooking gas lines to ensure complete combustion
- Optimising heat exchanger and fuel combustion systems in bakery ovens and conversion of ovens away from fossil fuels wherever possible
- Reusing food products into other usable forms
- Centralising production facilities to improve efficiency.

**The nature of our business makes it impossible for us to stay away from activities which have the potential to affect the environment negatively. The following actions are in place to manage SDG 13:**

- Paper and plastic are being separated and sent for recycling
- A special project is being conceived to create collection stations for waste paper. This initiative is intended to reduce the amount of quantity going into the landfill, reduce harmful effects on domestic animals and create a revenue generation avenue for citizens. Collected paper will be sent to the first ever paper mill in Botswana
- Project conceived for using biodegradable waste and to generate energy for production purpose
- Conversion of refrigerants to environment friendly ones
- Conversion of open skips to Moloks for managing unauthorised access to waste and to reduce pest infestation.

## Key performance measures ("KPMs")

Environmental sustainability statistics

| | 2023 | 2022 |
|---|---|---|
| **Electricity consumption** | | |
| Total direct energy consumption from non-renewable fuels burned (kWh) | **9 027 476** | 7 107 720 |
| Total volume of electricity purchased (kWh) | **54 562 662** | 54 384 373 |
| Total volume of electricity consumed (kWh) | **63 590 138** | 61 492 093 |
| **Carbon emissions** | | |
| Total carbon emissions | Not measuring currently | |
| **Water** | | |
| Total volume of water consumed (kl) | **194 271** | 206 777 |
| **Waste** | | |
| Total volume of waste sent for recycling (tonne) | **1 872** | 1 728 |
| Total volume of waste disposed sent to landfill ($m^2$) | **18 735** | 15 750 |
| Total volume of hazardous waste disposed ($m^2$) | **55** | 52.8 |

# 05

# Accountability


Sound corporate governance principles are the foundation on which the trust of stakeholders is built, and these principles are critical to growing the reputation of an organisation dedicated to excellence in performance and integrity.

## ACCOUNTABILITY

# GOVERNANCE REPORT

## INTRODUCTION

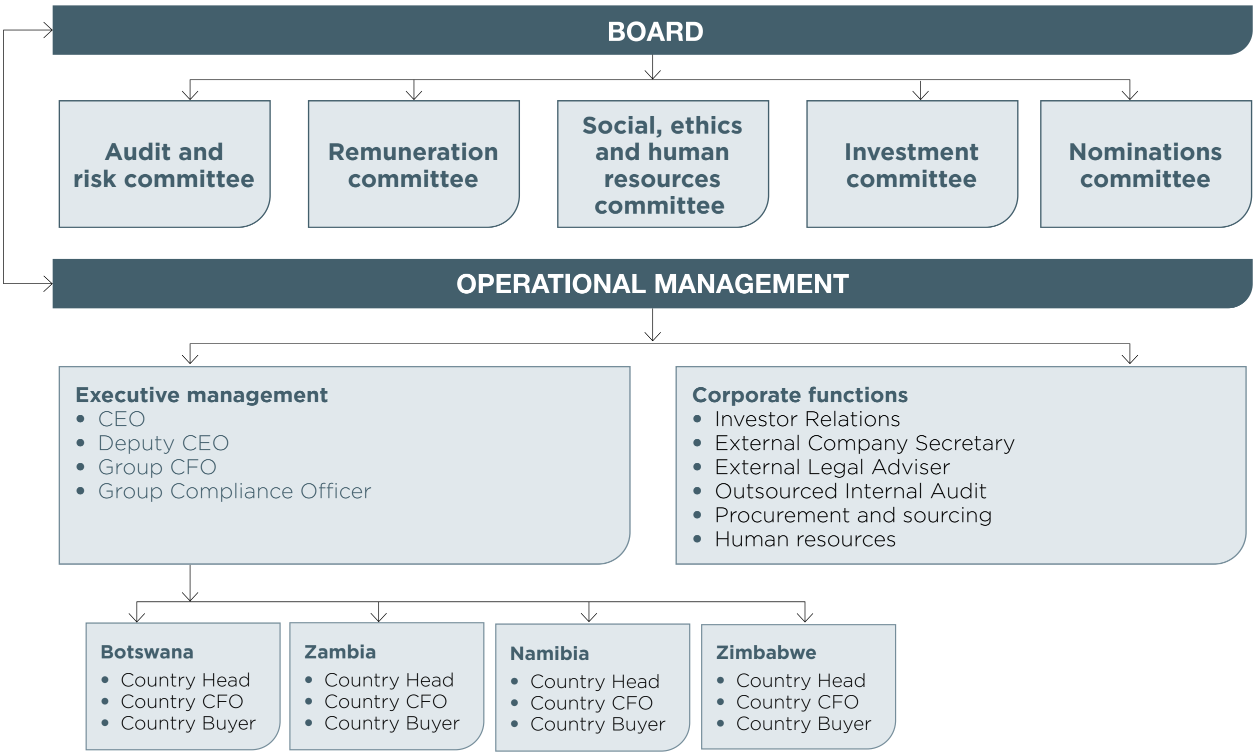
A company's reputation for excellence in performance and integrity depends on adhering to sound corporate governance standards, which serve as the cornerstone on which stakeholders' trust is founded. Corporate governance promotes justice, accountability, responsibility, and openness across organisations like Choppies in accordance with the universal principles set forth in King IV. Corporate governance procedures safeguard managers and staff as they carry out their responsibilities, and effective governance inspires stakeholder confidence in the organisation.

Choppies, a BSE and JSE listed company, is dedicated to following and upholding sound corporate governance standards as outlined in the Botswana Companies Act, King IV, the BSE Listings Requirements (primary listing), and the JSE Listings Requirements (secondary listing). The Board of Directors is aware that corporate governance procedures must be suitable for the size, nature, and complexity of the Company's operations while fostering sound procedures in the light of financial performance. Choppies is dedicated to upholding the highest governance standards and uses rigorous compliance procedures.

The Company believes that its governance practices are sound and, in all material respects, conform to the principles embodied within King IV. Application of the King IV principles is set out on page 101.

### Governance structure

The Choppies Board of Directors acts in the best interests of the Company and takes ultimate responsibility for the Company. The Board is supported by the five Board committees as set out in the organogram below. These committees have delegated responsibility to assist in specific matters and report to the Board. The delegated responsibility and the powers, limits and authorities attached to Board committees are approved by the Choppies Board, and such powers, limits and authorities are limited as determined by the Board from time to time. Each committee has its own charter which sets forth its purpose, composition and duties.



The subsidiaries are also governed by the policies and monitoring of the Board and other Board committees.

The responsibility for Human Resources was transferred to the remuneration committee towards the end of the financial year.

The Board delegates to executive management by way of a formal approvals framework which it reviews regularly. This framework deals with decision-making, including which matters are reserved for the Board, delegated to Board committees, and delegated to executive management.

## THE BOARD

The Board is governed by a formally approved charter which sets out its role and responsibilities including:

- The Chairman of the Board must be an independent Non-executive Director
- A formal orientation programme for new directors must be followed
- Specific policies must exist regarding conflicts of interest and the maintenance of a register of directors' interests
- The Board must conduct a self-evaluation every second year
- Directors must have access to staff, records and outside professional advice where necessary
- Succession planning for executive management must be in place and must be updated regularly
- Strategic plans and an approvals framework must be in place and reviewed regularly
- Policies to ensure the integrity of internal controls and risk management must be in place
- Ethics, safety, health, human capital, and environmental management policies and practices must be monitored and reported on regularly.

During FY2023, the Board comprised six directors, including four independent Non-executive Directors, one Non-executive Director ("NED") and the Chief Executive Officer ("CEO"). The roles of Chairman and CEO are separate and distinct. The composition of the Board ensures a balance of power and authority and negates individual dominance in decision-making processes. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

An independent Non-executive Chairman leads the Board. The Chairman presides over meetings of the Board, guiding the integrity and effectiveness of the Board's governance process. This includes ensuring that no individual dominates the discussion, that relevant discussion takes place, that the opinions of all directors relevant to the subject under discussion are solicited and freely expressed, and that Board discussions lead to appropriate decisions.
The Company actively solicits on an ongoing basis from its directors' details regarding their external shareholdings and directorships which potentially could create conflicts of interest while they serve as directors on the Board. The declarations received are closely scrutinised and are tabled at the beginning of each Board meeting. When applicable, directors are requested to table their interests in material contracts and, if necessary, are requested to recuse themselves from discussions in meetings. No interests in material contracts were reported during the 2023 year.

Operational management is the responsibility of the CEO. His responsibilities include, among others, developing and recommending to the Board a long-term strategy and vision that will generate satisfactory stakeholder value, annual business plans and budgets that support the long-term strategy, and managing the affairs of the Group in accordance with its values and objectives as well as the general policies and specific decisions of the Board. The succession plan for the CEO position is regularly reviewed and his employment contract aligns his remuneration to the performance of the Group.

A complete list of Board members and their CVs is disclosed in this Integrated Report on page 22. In terms of the Company's constitution, all new NEDs appointed during the year, as well as one-third of the existing NEDs, must retire on a rotational basis each year but may offer themselves for re-election. Uttum Corea and Valentine Chitalu will be retiring by rotation at the upcoming annual general meeting and being eligible will offer themselves for re-election. The appointment of R P De Silva and Andrew Dondo Mogajane (appointed post-year-end effective 30 August 2023) will be confirmed at the upcoming annual general meeting.

Directors are required to undergo an induction programme including store visits to familiarise themselves with all aspects of the business.

The Board is accountable for the actions of management and has retained full and effective control of the organisation over the past year. The Board defines levels of materiality, reserving specific powers to itself, and delegates other matters to management.

The Board is satisfied that the delegation of authority framework contributes to role clarity and effective exercise of authority. The Board meets at least quarterly to review strategy, planning, operational performance risks, acquisitions, disposals, shareholder communications and other material aspects pertaining to the achievement of the Group's objectives.

Procedures for appointment to the Board are formal and transparent and are vested in the Board and include detailed screening of nominees to ensure that they meet the eligibility requirements as laid down in the Companies Act, the BSE and the JSE Listings Requirements. The Board will conduct assessments of each director at least every second year based on several factors including expertise, objectivity, judgement, understanding the Group's business, willingness to devote the time needed to prepare for and participate in committee deliberations. The next round of assessments is due in FY2025.

Strategic planning meetings take place at least every second year, and progress on strategic objectives are reviewed at Board meetings. Directors have access to the advice of the Company Secretary and may seek independent and professional advice about the affairs of the Company at the Company's expense.

Attendance at Board meetings for FY2023 was as follows:

**BOARD**

| *Name of the director* | 19 Aug 2022 | 20 Sep 2022 | 14 Nov 2022 | 22 Nov 2022 | 12 Dec 2022 | 27 Jan 2023 | 21 Feb 2023 | 18 Apr 2023 | 29 Apr 2023 | 16 May 2023 | 23 May 2023 | Summary |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DKU Corea | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| CJ Harward | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| T Pritchard* | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ | | | 8/9 |
| F Ismail | ✓ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 10/11 |
| R Ottapathu | ✓ | ✓ | ✓ | ✓ | ✗ | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | 9/11 |
| R Chitalu | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 11/11 |
| R P De Silva** | | | | | | | | | | ✓ | ✓ | 2/2 |

✓ Present

* *Resigned 1 May 2023.*
** *Appointed 1 May 2023.*

The Board believes that the Group has applied all significant governance principles and is compliant with all significant Listings Requirements of the BSE and JSE Limited. The Group has not breached any regulatory requirements and has complied with all its statutory obligations.

## THE BOARD COMMITTEES

To enable the Board to properly discharge its responsibilities and duties, certain responsibilities have been delegated to Board committees. All Board committees are chaired by an independent Non-executive Director. All committees' charters are reviewed annually to ensure that the committees' duties and responsibilities are aligned with the requirements of corporate governance and that the committees keep abreast of new requirements which may arise from time to time.

These committees do not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of senior management.

The following Board committees have been established:

### Audit and risk committee ("ARC")

It is not a legal requirement in Botswana to establish an audit committee, but in the spirit of good governance and in terms of the listing requirements of the Company on the BSE and JSE it has been considered appropriate to constitute such a committee.

The ARC has an independent role with accountability to both the Board and the shareholders.
The main functions of the ARC as per its charter are to:

- Recommend the appointment of the external auditor and oversee the external audit process

- Determine the fees to be paid to the auditor and the auditor's terms of engagement
- Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Company
- Oversee integrated reporting
- Review the Annual Financial Statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents
- Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- Review the expertise, resources and experience of the Company's finance function
- Consider and satisfy itself annually of the appropriateness of the expertise and experience of the Company's CFO
- Oversee the internal audit function, including the approval of the internal audit plan
- Oversee the risk management function and review the risk areas of the Company's operations
- Review the technology governance and ensure that prudent steps are taken to ensure the integrity of the Company's information and information technology systems
- Prepare a report, to be included in the Annual Financial Statements for the financial year: (i) describing how the audit and risk committee carried out its functions, (ii) stating whether the audit and risk committee is satisfied that the auditor was independent of the Company, and (iii) commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Company
- Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, relating to: (i) the accounting practices and internal audit of the Company, (ii) the content or auditing of the Company's financial statements, (iii) the internal financial controls of the company, or (iv) any related matter
- Make submissions to the Board on any matters concerning the accounting policies, financial controls, accounting records and reporting
- Perform any other oversight functions required by the Board.

The ARC charter makes provision for at least three independent Non-executive Directors as members. Following Mr Pritchard's resignation on 1 May 2023, Mr R P De Silva chairs the committee, which further comprises Ms Harward and Mr Chitalu. The Chairman of the Board and other directors attend the meetings by invitation but do not have voting rights. Furthermore, the CEO, CFO, internal and external auditors attend meetings of the ARC by invitation. Other executives may be requested to attend some sections of meetings as required.

The opportunity is created at meetings for discussion with the external and internal auditors without the presence of management. The members of the committee are knowledgeable about the affairs of the Group and have extensive experience in finance, accounting, legal and risk management practices.

Attendance by members at meetings during FY2023 was as follows:

**AUDIT AND RISK COMMITTEE**

| *Name of the director* | 19 Sep 22 | 21 Feb 23 | 22 May 23 | 1 Jun 23 | 21 Jun 23 | Summary |
|---|---|---|---|---|---|---|
| *CJ Harward* | ✓ | ✓ | ✓ | ✓ | ✓ | 5/5 |
| *T Pritchard* (Chairman)* | ✓ | ✓ | | | | 2/2 |
| *V Chitalu* | ✓ | ✓ | ✓ | ✓ | ✓ | 5/5 |
| *R P De Silva** (Chairman)* | | | ✓ | ✓ | ✓ | 3/3 |

✓ Present

* *Resigned 1 May 2023.*
** *Appointed 1 May 2023.*

See pages 114 to 117 for the ARC report on the FY2023 financial results.

## Remuneration committee

The remuneration committee assists the Board in discharging its responsibilities for the development of the Group's general policy on executive and senior management remuneration and to determine specific remuneration packages including but not limited to basic salary, benefits in kind, bonuses, performance-based incentives, retention incentives, share incentives, retirement and other benefits. The committee determines criteria necessary to measure the performance of management in discharging their functions and responsibilities. The committee also proposes fees for Non-executive Directors for shareholder approval.

The committee's charter makes provision for at least three independent Non-executive Directors as members. Mr Pritchard chaired the committee until his resignation on 1 May 2023. Mr R P De Silva has replaced him. The committee further comprises Ms Harward and Mr Chitalu. The Chairman of the Board and other directors attend the meetings by invitation but do not have voting rights. The committee has an independent role, operating as an overseer and making recommendations to the Board for its consideration and final approval.

Attendance at the one committee meeting during FY2023 was as follows:

### REMUNERATION COMMITTEE

| *Name of the director* | 29 Jun 23 | Summary |
|---|---|---|
| *R P De Silva* (Chairman)* | ✓ | 1/1 |
| *Carol Jean Harward* | ✓ | 1/1 |
| *Valentine Chitalu* | ✓ | 1/1 |

✓ Present

* *Appointed 1 May 2023.*

The report of the committee is set out on page 91.

## Social, ethics and human resources committee

As is the case with an audit committee, it is not a legal requirement in Botswana to establish a social and ethics committee, but in the spirit of good governance as well as the listing of the Company on the BSE and JSE it has been considered appropriate to constitute such a committee. The scope of the committee was expanded during the past year to include matters relating to human resources which have subsequently been transferred to the Remuneration committee.

Three independent NEDs were appointed members of the committee namely Messrs. Pritchard, Chitalu and Corea with the latter appointed as the chair of this committee. Upon Mr Pritchard's resignation, he was replaced by Mr R P De Silva.

Attendance during FY2023 at the one committee meeting was as follows:

### SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE

| *Name of the director* | 29 Jun 23 | Summary |
|---|---|---|
| *Uttum Corea (Chairman)* | ✓ | 1/1 |
| *Valentine Chitalu* | ✓ | 1/1 |
| *R P De Silva** | ✓ | 1/1 |

✓ Present

* *Appointed 1 May 2023.*

The report of the committee is set out on page 98.

## Investment committee

The investment committee assists the Board in evaluating opportunities that present themselves to the Group, advises the Board on such investment opportunities in a transparent manner and ensures that sufficient consideration has been afforded to such opportunities. However, the Board is responsible for the final decision on all such investments.

The committee comprises three independent NEDs, Messrs Pritchard, Chitalu and the Chairperson Ms Harward. Upon Mr Pritchard's resignation, he was replaced by R P De Silva.

During the year the committee focused on the Kamoso Group acquisition.

Attendance at committee meetings for FY2023 is set out below:

**INVESTMENT COMMITTEE**

| *Name of the director* | 27 Jul 22 | 27 Jan 23 | 4 Apr 23 | 29 Apr 23 | Summary |
|---|---|---|---|---|---|
| *Carol Jean Harward (Chairperson)* | ✓ | ✓ | ✓ | ✓ | 4/4 |
| *Tom Pritchard** | ✓ | ✓ | ✓ | ✗ | 3/4 |
| *Valentine Chitalu* | ✓ | ✓ | ✓ | ✓ | 4/4 |
| *R P De Silva*** | | | | | |

✓ Present

* *Resigned 1 May 2023.*
** *Appointed 1 May 2023.*

The report of the committee is set out on page 99.

## Nominations committee

The primary duty of the committee in terms of the nomination process, is to ensure that the procedures for appointments to the Board are formal and transparent, by making recommendations to the Board on all new Board appointments and reviewing succession planning for directors and senior executive management. The committee also evaluates all candidates for the position of director on the basis of skill and experience. Thorough background checks are conducted.

Attendance at committee meetings during FY2023 is set out below:

**Nominations committee**

| *Name of the director* | 10 Oct 22 | 29 Apr 23 | Summary |
|---|---|---|---|
| *Uttum Corea (Chairman)* | ✓ | ✓ | 2/2 |
| *Carol Jean Harward* | ✓ | ✓ | 2/2 |
| *Farouk Ismail* | ✓ | ✓ | 2/2 |

✓ Present

The committee is chaired by the Chairman of the Board, Mr Corea, with two other non-executive directors being Ms Harward and Mr Ismail as members.

## ETHICAL LEADERSHIP

Key to the corporate governance of the Group is the "Code of Business Conduct and Ethics". This code was drawn up from best practices in the corporate world. It is intended to nurture a culture of integrity, responsibility, accountability, transparency and fairness, and to sustain the confidence and trust of all the Company's stakeholders. Compliance with the code is mandatory by all employees and stakeholders of the Company. Among others, the code covers the following:

- Compliance with laws and regulations
- Policy on human rights
- Conflict of interest
  - Outside activities, employment and directorships
  - Nepotism
  - Relationships with clients, customers and suppliers
  - Gifts, hospitality and favours
  - Solicitation of gifts, sponsorships and money
  - Personal investments
- Anti-corruption and bribery policies
- Safety, health and environmental responsibility
- Political support and government relations
- Protecting Company funds and assets
- Accurate and timeous record keeping
- Dealing with outside persons and organisations
- Privacy and confidentiality of information
- Contravention of the code – implications
- Tip-off anonymous.

The Board accepts overall responsibility for the adherence to the code and has no reason to believe that there have been any material instances of non-adherence during the year under review.

The Group also has a supplier code of practice in place outlining the ethical practices and policies of Choppies. All suppliers are required to adhere to this policy.

## THE COMPANY SECRETARY

The Company has appointed BP Consulting Services (Pty) Ltd as its Company Secretaries. Their main duties are to take minutes at Board meetings and to attend to administrative matters. The Group Compliance Officer assists the Company Secretary in fulfilling their duties in terms of the Companies Act.

As far as advice to the Board and individual directors regarding legal matters including compliance with fiduciary duties are concerned, the services of its legal adviser, Armstrongs Attorneys, is used.

The Board considered the competencies, experience and qualifications of the Company Secretary in terms of the Companies Act and BSE Listings Requirements and found them suitable. The Board is satisfied that the Company Secretary maintains an arm's-length relationship with the Board.

## RESTRICTION ON SHARE DEALINGS

Directors and employees are prohibited from dealing in Choppies shares during price sensitive periods. Closed periods extend from 31 December and 30 June, being the commencement of the interim and year-end reporting dates, up to the date of announcement of interim and year-end results and include any other period during which the Company is trading under a cautionary announcement. All directors are required to obtain written permission from the Chairman before dealing in any Choppies shares to protect them against possible and unintentional contravention of the insider trading laws and stock exchange regulations.

## COMPLIANCE

Compliance with laws, rules, regulations and relevant codes is integral to the Group's risk and opportunities management process. The ARC is responsible for, inter alia, ensuring that an appropriate compliance framework and register is in place, that non-compliance is reported and reviewing any major breach of relevant legal and regulatory requirements.

The ARC report sets out the compliance processes and new policies adopted during the year as well as its assessment of the effectiveness of the compliance function.

## COMBINED ASSURANCE

The Board is ultimately accountable for ensuring that an effective and efficient system of internal control is designed and implemented within the Group. The Board has delegated this responsibility to the ARC who, through a combined assurance model oversees the effectiveness of the Group's internal control environment and that it underpins the integrity of the Group's internal and external reporting.

Details on the combined assurance model and risk management are outlined in the risk report as well as the ARC report on pages 84 and 114, respectively.

## INVESTOR RELATIONS

The Group is committed to ensuring compliance with all legislation, regulation and voluntary codes in relation to disclosure, communication and dissemination of information, while limiting reputational risk for management and the Group.

Management is committed to engaging with analysts and fund managers to enable informed decisions about investing in Choppies. The CEO is the designated investor spokesperson, and all investor meetings are attended by at least two people. The Company identifies key stakeholders with legitimate interests and expectations relevant to the Company's strategic objectives and long-term sustainability, and strives to have transparent, open and clear communications with them. Reports, announcements and meetings with investment analysts and journalists, as well as the Company's website, are useful conduits for information.

The Chairmen of the Board and the Board committees are expected to attend the Company's annual general meeting, and shareholders can use this opportunity to direct any questions to them that they may have. A summary of the proceedings of general meetings and the outcome of voting on the items of business is available on request.

## IT ("INFORMATION TECHNOLOGY") GOVERNANCE

The Board has delegated responsibility for IT to the audit and risk committee but retains overall accountability.

Management has the responsibility for the management of IT and the governance framework which includes:
- An IT steering committee to monitor and manage IT governance
- Formulating IT policies and procedures to regulate the management of all IT functions.

All IT acquisitions fall within the same capital approval processes as other capital expenditure projects and would thus, based on value, be submitted to the Board for approval.

The audit and risk committee evaluates the effectiveness of the IT structure of the Group, including network security and threats related to cybercrime. The ARC report is set out on pages 114 to 117.

The IT Steering Committee is responsible for all high-level IT governance decisions and is chaired by the CEO and further comprises the CFO, Chief Compliance Officer and Deputy CEO. In June 2022, the committee approved the following:
- IT Charter
- IT information security policy.

During the year the user management and firewall policies were revised and approved by the committee and audited. This was the first external audit of IT policies.

Business and disaster recovery plans are in place. Disaster recovery plans are not centralised with each store having redundancy at till level.

In line with King IV guidelines the risk compliance and cybersecurity is aligned with the NSIT framework.

During the year, the security systems and firewalls were upgraded and Choppies is currently in the process of running risk tests. The phishing and attack simulation test are completed and the Company is now doing technical tests on vulnerabilities. Choppies has also conducted an internal audit to assess all hardware. This was completed in Botswana and will be rolled out to the other countries. The point protection has also been updated and a periodic review of access to all systems has been introduced.

## WHISTLEBLOWING MEASURES

Choppies has implemented a whistleblowing process to enable employees and third parties to report any perceived or alleged irregular or unethical behaviour in a confidential and controlled environment. A 24-hour anonymous ethics hotline is managed by an independent external service provider and can be accessed telephonically or via email.

Reports are monitored and managed with feedback to the audit and risk committee.

Refer to the ARC report on page 114 for a summary of matters reported and action taken where necessary.

# RISK MANAGEMENT REPORT

## INTRODUCTION

The Group adopted a structured and consistent approach to risk management, by aligning strategy, processes, people, technology and knowledge for the purpose of evaluating and managing the uncertainties and risks Choppies faces in creating shareholder value.

Furthermore, the Group's risk management framework which outlines the processes and procedures to be followed were identified and approved by the Board. Additionally, risk appetite and tolerance levels were also determined and approved by the Board.

## ROLES AND RESPONSIBILITIES

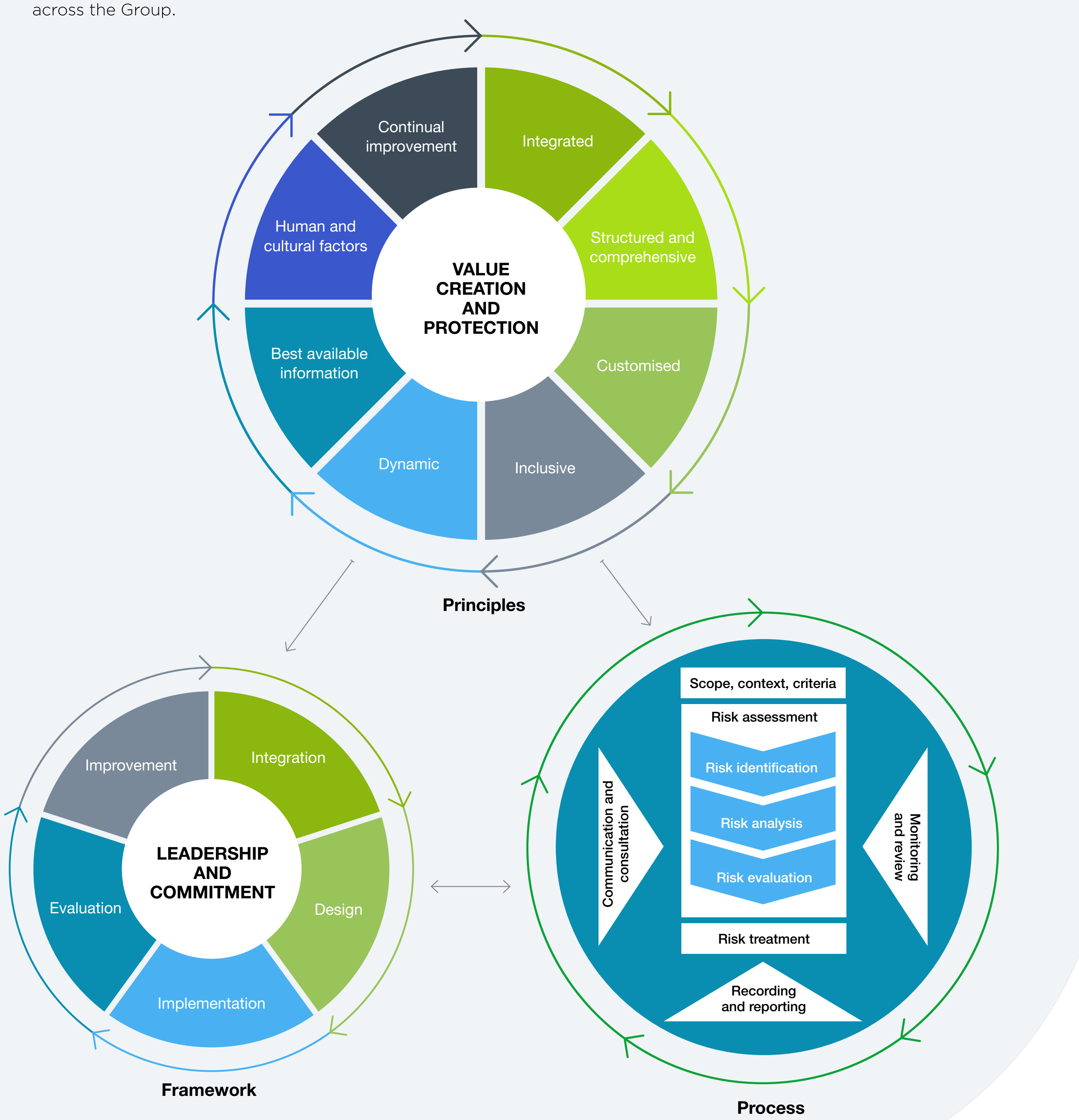
The CEO drives the culture of risk management and the Board has overall responsibility for the governance of risk within the Group. The audit and risk committee assists the Board by monitoring the effectiveness of the control and risk management implemented by management.

The roles and responsibilities of the different role players are set out below:

| | |
|---|---|
| **Board/executive management** | • Communicate the risk management approach to all levels of the organisation<br>• Develop policies and procedures around risk that are consistent with the organisation's strategy and risk appetite<br>• Promote an organisational culture that supports risk management. |
| **Audit and risk committee** | • Monitor risk management, including identifying areas of risk which may impact the Group and suggesting appropriate controls for mitigation. |
| **Group internal audit** | • Assess the effectiveness of the overall risk management process<br>• Review the adequacy, effectiveness and efficiency of controls implemented to mitigate risk. |
| **Management** | • Responsible for the implementation of the risk management system and processes within their functions. |
| **All staff** | • Responsible for managing risk within their area/function of the organisation. |

## RISK MANAGEMENT FRAMEWORK

The following framework, which aligns to ISO 31000:2018 has been used to set out Choppies' response to managing risk across the Group.




- Principles – the essential qualities for risk management
- Framework – the components necessary for effective risk management
- Process – the key steps that need to be followed to ensure effective risk management within the Group.

## RISK MANAGEMENT PROCESS

### Communication and consultation

Communication and consultation are key to the implementation and execution of the risk management process. This component is relevant for all steps in the process and the Board and management should communicate and consult with external and internal stakeholders throughout the process.

### Risk assessment

#### Risk identification

This is the identification of what could prevent Choppies from achieving its objectives. The risks are captured in a risk register to ensure they are continually assessed and monitored.

#### Risk analysis

This involves understanding the sources and causes of the identified risks; studying probabilities and consequences given the existing controls, to identify the level of residual risk. Key considerations include the likelihood of the risk occurring, potential impacts of the risks if they do occur after considering existing controls and factors that could increase or decrease the risk. In assessing the relevant controls, the current controls are identified, the adequacy of the controls assessed and opportunities for improvement identified. For each risk identified the impact and likelihood of the risk are determined resulting in a rating of the risk. All risks that have been identified are documented in the risk register.

#### Risk evaluation

The risk analysis results are assessed to determine whether the residual risk is tolerable. The significance of the risk against the organisational objectives is determined to assign a priority to the risk. The higher the risk the more resources would be allocated to mitigating the risk.

#### Risk response/risk treatment

Risk response is the process of developing strategic options, and determining actions, to enhance opportunities and reduce threats to Choppies' objectives.

The following table contains examples in determining the appropriate treatment to the identified risk:

| Risk response | Description |
|---|---|
| Avoid | Change the strategy or plans to avoid the risk |
| Reduce | Take action to reduce the likelihood or impact |
| Transfer | Transfer the risk to a third party such as insurance |
| Accept | Take no further action and decide to accept the risk |

#### Monitoring and review

It is essential to monitor risks, the effectiveness of the plan and strategies and controls that have been implemented to mitigate unacceptable risks.

## MONITORING, REVIEW AND UPDATE OF THE FRAMEWORK

The audit and risk committee is responsible for the annual monitoring, reviewing and updating of the risk management framework when there are changes to the guidelines or legislation that affect this framework.

### Scope and implementation

The above risk management framework and process are filtered into the daily operations and the way the Group does business. In order for risk management to be effective throughout the Group, each role player is required to fulfil specific responsibilities all aimed at embedding risk management practices into everyday business.

In order to assure the continuing focus on risk management the review and update of the risk register forms part of the agenda of executive management meetings.

Risk is not only viewed from a negative perspective. The assessment process also identifies areas of opportunity, for example where effective risk management can be turned into a competitive advantage, or where taking certain risks could result in reward for the Group. Any risk taken is considered within the Group's risk appetite and tolerance which are reviewed and updated annually.

## Risk appetite

The Board has determined the level of acceptable risk and requires management to manage and report on risk accordingly. Issues and circumstances that could materially affect the Group's reputation constitute unacceptable risk.

A system of internal control is implemented in all key operations and is tailored to each business' characteristics. It provides reasonable, rather than absolute, assurance that the Group's business objectives will be achieved within prescribed risk tolerance levels. The associated risk areas and control processes are monitored and reported on across the Group.

The Group also maintains a comprehensive insurance programme to ensure that material financial consequences of risk events do not result in undue financial impact on Group businesses.

## KEY BUSINESS RISKS

The current key identified risks and their respective mitigations are set out below:

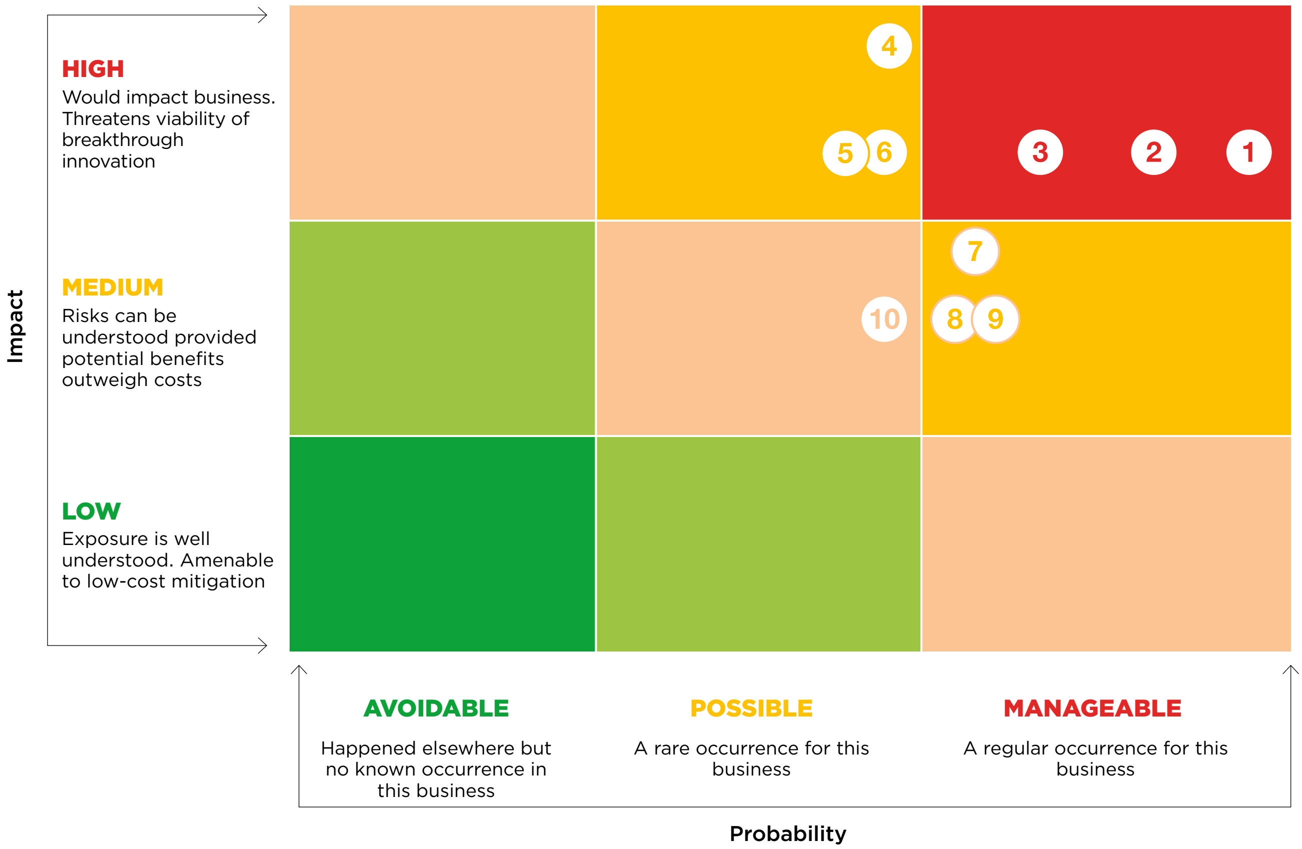
| 2023 | 2022 | RISK | DESCRIPTION | MITIGATION |
|---|---|---|---|---|
| 1 | 1 | **Impact of Russian/Ukraine war on world economy** | World markets face food insecurity, heightened inflation pressures on key commodities and energy interest rates soaring. | • Stock piling where possible<br>• Centralised buying<br>• Forward buying contracts<br>• Fast-track alternative energy sources<br>• Optimise working capital management. |
| 2 | 2 | **Dependence on key executives and skilled employees** | Continuity of key executive and skilled employees is critical in geographies with low availability of skilled resources. | • Succession planning for all key positions<br>• Competitive/attractive remuneration and incentives and benchmarking against market and industry trend<br>• Entrenching a culture of rewards and recognition<br>• Investment in skills through internal and external training and workshops<br>• Sponsoring higher studies for selected resources. |
| 3 | 3 | **Cash flow and liquidity risks** | Lack of required funding for business growth. | • Generation of profits/cash for further investment<br>• Prioritise investment opportunities<br>• Continued operational excellence<br>• Pro-active engagement with lenders<br>• Optimise credit terms with suppliers. |

## KEY BUSINESS RISKS continued

| 2023 | 2022 | RISK | DESCRIPTION | MITIGATION |
|---|---|---|---|---|
| 4 | – | **Operational disturbances and business continuity** | Black swan events like natural disasters and pandemics can cause disruption to the business. Climate change can also disrupt food availability, reduce access to food, and affect food quality. Projected increases in temperatures, changes in precipitation patterns, changes in extreme weather events, and reductions in water availability may all result in reduced agricultural productivity.<br><br>Also increased load shedding in South Africa is a major concern for the Company's stability. | • Back-up provisioning of water and fuel in compliance with standard operating procedures<br>• Solar project started in phased manner<br>• Back-up generators in place. |
| 5 | 4 | **Information technology ("IT") risks** | IT system is key to ensuring availability of accurate, reliable, and timely information for informed decision-making.<br><br>Exposure to cybersecurity events | • CTO appointed and assisted by competent vendors<br>• Continued investment in technology to keep abreast of new developments<br>• Cybersecurity, anti-virus, and back-up processes in process of being addressed<br>• Aligning security controls with best industry practice<br>• Focus on IT governance ongoing. |
| 6 | 6 | **Macroeconomic conditions in particular countries** | Some economies remain volatile due to a stressed socio-political situation.<br><br>Restriction on importation of certain foodstuffs<br><br>Non-availability of containers in South Africa for imported product<br><br>Load shedding in South Africa | • Continually assess investment in all countries in which the Group operates<br>• High degree of localisation in each geography<br>• Supply agreements with local farmers. |
| 7 | 5 | **Working capital** | Poor working capital management will impact cash flow and profits | • Budget and monthly monitoring and reporting<br>• Focus on stock shrinkages<br>• Strong physical security in place<br>• Regular wall to wall stock counts<br>• Recommended order quantity ("ROQ") model in place for stock ordering. |

| 2023 | 2022 | RISK | DESCRIPTION | MITIGATION |
|---|---|---|---|---|
| 8 | 7 | **Food safety risk** | Food safety and quality are integral to maintaining customer trust and brand equity.<br><br>Inferior product quality, non-compliance with product safety standards and failing to meet customer expectations may potentially result in harm to customers, claims, regulatory scrutiny, penalties, or significant reputational damage. | • Strict quality control systems through recipe management and standard operating procedures<br>• Uniformity in product offering and quality across country regions<br>• Regular monitoring by executive management<br>• Ongoing food safety audits<br>• Buying team ensure all products comply with regulatory requirements<br>• Conducting lab testing for in house brand product if required. |
| 9 | 8 | **Dependence on key suppliers and pending legislation to support local suppliers** | Ensuring consistent and timely supply from a defined group of suppliers. | • Central monitoring of all transactions with key suppliers<br>• Using distribution centres to mitigate supplier dependence<br>• Keeping number of suppliers in each category within stipulated levels<br>• Buying Group arrangements<br>• Supply agreements with local farmers. |
| 10 | 10 | **Fraud/theft/ corruption risk/ stock losses/ wastage** | Internally risk of fraud and theft by employees.<br><br>Externally risk through collusion, misappropriation of assets such as cash and inventory (shrinkage), and third-party fraud, armed robberies and theft. | • Relevant policies on financial controls especially cash handling and inventory controls in place and covered in training programmes<br>• Strict security controls at all locations<br>• Continuous oversight by internal audit<br>• Whistleblowing hotline managed by an independent third party in place<br>• Clear guidelines on anti-bribery and corruption<br>• Full stock count at regular intervals<br>• Continuous monitoring through centralised control room. |

## HEAT MAP


Impact
HIGH
Would impact business. Threatens viability of breakthrough innovation
MEDIUM
Risks can be understood provided potential benefits outweigh costs
LOW
Exposure is well understood. Amenable to low-cost mitigation
4
5
6
3
2
1
7
10
8
9
AVOIDABLE
Happened elsewhere but no known occurrence in this business
POSSIBLE
A rare occurrence for this business
MANAGEABLE
A regular occurrence for this business
Probability

# REMUNERATION COMMITTEE REPORT

## Introduction

In accordance with the requirements of the King IV report, this report is divided into three sections:

**Section 1:** Background statement
**Section 2:** Remuneration philosophy, policy and framework
**Section 3:** Implementation and disclosure of individual executive management's remuneration

## SECTION 1: BACKGROUND STATEMENT

### Introduction

The remuneration committee (Remcom) assists the Board in discharging its oversight responsibilities relating to the Group's remuneration policy and practices. The committee ensures the remuneration policy is aligned with the Group's strategic objectives and goals, determines the remuneration of Executive Directors and prescribed officers, and proposes fees for Non-executive Directors for shareholder approval.

### Shareholder approval

In terms of the Companies Act, the constitution of a Company may provide that the Board has the power to authorise the remuneration and benefits payable by a Company to its directors. The Choppies' constitution does so authorise the Board. King IV, however, recommends a process including separate non-binding votes by shareholders on the remuneration policy and interpretation thereof. The Board, being cognisant of the principles of good corporate governance, has decided not to authorise remuneration on its own, as it is entitled to do, but to put the remuneration policy and implementation report, as set out in sections two and three respectively, to shareholders for approval at the annual general meeting.

### Fair and responsible remuneration

As a responsible corporate citizen and, apart from government, the major employer in Botswana, the Company is committed to adopting fair and responsible remuneration practices. The Group continues to strive to improve employment conditions across the business and implement initiatives that will, over time, realise the concept of fair and reasonable remuneration.

## SECTION 2: REMUNERATION PHILOSOPHY, POLICY AND FRAMEWORK

### Policy and philosophy

The Group's remuneration philosophy is that employees are remunerated appropriately for their contribution to the delivery of the Group's strategy. The remuneration policy framework is based on the principles of fair and responsible remuneration and is formulated to attract, retain, motivate and reward high-calibre employees. The Group aims to encourage high levels of performance that are sustainable and aligned with the purpose, strategic direction and specific value drivers of the business. The way the Group remunerates employees reflects the dynamics of the market, as well as the social, economic and environmental context in which the Group operates.

The employment and remuneration arrangements of employees who either form part of a bargaining unit or are independent contractors are governed by separate agreements.

## Remuneration framework

The key elements of the Group's remuneration framework and structure can be summarised as follows:

| | Executive management ("Exco") | |
|---|---|---|
| | **Senior corporate executives** | **Country executives** |
| **Guaranteed remuneration ("GR")** being basic salary + benefits all covered under total cost to company | Salary, retirement, medical, housing, and vehicle benefit | Salary, retirement, medical, housing, and vehicle benefit |
| **Short-term incentive ("STI"):** | | |
| **1. Financial targets** | 100% Group EBITDA | 100% country EBITDA |
| **2. STI as a % of GR** | 4% – 58% | 4% – 58 % |
| **3. STI stress target** | Exceptional performance, as judged by the Remcom for Exco and by the CEO for other management. Amount for Exco members to be limited to 20% of the STI vested as in 2 above. | |
| **4. STI salient points** | • The STI is self-funding in that the threshold for the financial target is calculated after taking into account the cost of the STI<br>• Payment of STI bonuses (if any) will only be made to those qualifying employees in the employ of the Company on 31 October 2024, therefore<br>• The STI, if any, will become payable after the Board approves the June 2024 Audited Annual Financial Statements<br>• After 30 June 2024 good/bad leaver provisions will apply<br>• Malus and clawback policy applies<br>• Maximum STI not to exceed 10% of Group EBIT inclusive of the amount of the STI<br>• Zimbabwe legacy debt receipts not to be included for STI purposes in EBIT or RONA. | |

## Financial performance conditions for 2024 STI

The financial performance conditions for executive management in 2024 are as follows:

| | Threshold (0% vesting) | Target (100% vesting) |
|---|---|---|
| EBITDA | Below 90 % budget achievement | 100% budget achievement |

Linear vesting to apply between threshold and target.

## Long-term incentive ("LTI") scheme

The LTI scheme was introduced in FY2023. The Share Plan was designed following thorough market research and independent professional advice. The Share Plan will be used for awards in the 2023 financial year and was approved at the annual general meeting in November 2022.

The rules of the Share Plan are available on request from the Company secretary and the salient features of the Share Plan are set out below.

| Feature | Detail |
|---|---|
| **Aim** | The Share Plan aims to incentivise the Group's eligible employees to meet strategic objectives that will help deliver value to shareholders, achieve alignment between the participants' remuneration and the interests of the Company's shareholders and act as an attraction/retention mechanism. |
| **Type of awards** | The Share Plan will enable the award of Performance Conditional Shares and Restricted Conditional Shares. |
| **Eligibility** | Remcom will consider participation on an ad hoc or annual basis to any person holding full-time salaried employment with any member of the Group. In practice, annual Performance Conditional Share awards will be made to the executive committee and Restricted Conditional Share awards will be focused on key talent (generally below the executive committee level) or for sign-on awards to compensate new employees for the value forfeited from their previous employer. |

| Feature | Detail |
|---|---|
| **Performance conditional shares** | The vesting of Performance Conditional Shares will be subject to:<br>i) the achievement of performance condition(s), determined by Remcom ("the Performance Conditions"), and; (ii) continued employment with the Group for the duration of the vesting period ("the Employment Condition").<br><br>Annual awards of Performance Conditional Shares will be made as a percentage of a participant's guaranteed pay, initially at 25% to 33%. While acknowledging that these award levels are below market benchmarks, it is the intention that the awards will increase towards market benchmarks when the Company performance and increases in the share price merit such awards.<br><br>The CEO elected not to receive an award in FY2023.<br><br>Performance Conditions for the first award will be as follows: |

| Condition | Notes | Weight | Threshold | Target |
|---|---|---|---|---|
| Vesting percentage | | | 30% | 100% |
| HEPS in FY2025 | | 65.0% | 15 thebe | 22 thebe |
| Post-tax RONA (average of FY2023, FY2024 and FY2025) | 1 | 25.0% | WACC + 12.5% | WACC + 15% |
| ESG conditions | | 10.0% | Management to propose | |
| | | 100% | | |

For each performance condition:
- 0% will vest for performance below threshold
- 30% will vest for performance at threshold
- 100% will verst for performance at target

There will be linear vesting between threshold and target.

[1] *WACC is the weighted average cost of capital averaged over the performance period.*

| Feature | Detail |
|---|---|
| **Restricted Conditional Shares** | The vesting of Restricted Conditional Shares is subject to the Employment Condition. |
| **Setting of performance and employ-ment periods** | Remcom will set appropriate Performance Conditions measured over set performance periods ("the Performance Period"), and Employment Conditions measured over set employment periods ("the Employment Period"), as relevant, on an annual basis, considering the business environment at the time of making the awards, and where considered necessary, in consultation with shareholders.<br><br>Initially, upon the commencement of the Share Plan, the Performance Period will be three years and the Employment Period will be three to five years, with one-third vesting each year. |
| **Dividend equivalents** | Participants will not be entitled to any shareholder rights before the settlement of awards. However, participants may be entitled to dividend equivalents on settlement of vested awards. |
| **Manner of settlement** | Due to the tightly held nature of the Company's shares, settlement could be by means of an issue of new shares or using treasury shares (built-up judiciously over the Performance Period). Market purchases could also be used on vesting to avoid dilution but only where these purchases can be made without excessive influence on the share price. As a fallback provision only, Remcom may direct settlement of awards in cash. |
| **Company limit** | The aggregate number of shares which may at any one time be settled in terms of the Share Plan shall not exceed 65 000 000 shares to all participants (approximately 5% of the issued share capital of the Company). In calculating this limit, new shares issued, or treasury shares used in settlement will be included. Awards settled by shares purchased in the market or settled in cash, and shares which do not subsequently vest because of forfeiture will be excluded in determining the limit.<br><br>The Company limit must be adjusted in the event of a sub-division or consolidation of shares. |

| Feature | Detail |
|---|---|
| **Individual limit** | The maximum number of shares which may be allocated to an individual participant in respect of all unvested awards may not exceed 6 500 000 shares.<br><br>The individual limit may be adjusted in the event of a capitalisation issue, special distribution, rights issue, or reduction in capital of the Company. |
| **Termination of employment** | Where the employment of a participant is terminated due to breach of contract due to absence from work; serious misconduct; incompatibility; retirement before the normal retirement date; or resignation, all unvested shares will be forfeited and cancelled unless Remcom determines otherwise.<br><br>Where the employment of a participant is terminated due to death; ill health; disability; injury; redundancy; subject to Remcom's discretion, retirement at the normal retirement age; or the employer Company ceasing to be a member of the Group, the awards will vest early on a pro-rated basis as follows:<br>• In the case of Performance Conditional Shares, to reflect the number of months served of the employment period, and the extent to which the Performance Conditions have been satisfied. The remainder of the award will lapse, or, at the discretion of the Remcom, the participant's unvested award(s) shall vest on the original vesting date specified in the award letter, as if the participant's employment had not terminated<br>• In the case of Restricted Conditional Shares, to reflect the number of months served of the employment period. The remainder of the award will lapse, or, at the discretion of the Remcom, the participant's unvested award(s) shall vest on the original vesting date specified in the award letter, as if the participant's employment had not terminated.<br><br>Remcom may exercise its discretion to determine the fault or no-fault status of participants and permit awards to be settled at the normal vesting date, without time pro-rating, but subject to applicable performance conditions, as if the participant's employment was not terminated. |
| **Malus and clawback** | All awards will be subject to malus and clawback provisions, in line with market practice. |
| **Corporate transactions** | In the event of a change of control, awards will vest early on a pro-rata basis based on the proportion of the Employment Period served and the extent to which the Performance Conditions (if any) have been achieved. The balance of the awards will continue in force, on the basis of the original terms and conditions, unless the Remcom determines that this is not feasible, and in this case, they will be adjusted or converted for replacement awards provided that the participant is no worse off as a result of such adjustment or replacement.<br><br>Remcom may, where necessary, adjust the Company limit (without the prior approval of shareholders in a general meeting), to take account of a sub-division or consolidation of the shares of the Company. Such adjustment should give a participant entitlement to the same proportion of the equity capital as that to which they were previously entitled.<br><br>Remcom may, where required, adjust the individual limit to take account of a capitalisation issue, a special distribution, a rights issue, or reduction in capital of the Company. Such adjustment should give a participant: entitlement to (i) the same proportion of equity capital as that to which they were previously entitled in terms of an existing award or (ii) the 0.5% (half a percent) of the number of issued shares in the share capital of the Company. |
| **FY2023 Awards** | The Remuneration Committee decided to defer awards for FY2023 to FY2024. |

## Service contracts

The Board entered into contracts with all Non-executive Directors.

Executive management is subject to the Company's standard terms and conditions of employment where the notice period varies from six months (in the case of the CEO) to one calendar month. In line with the Group policy, no executive member is compensated for the loss of office, and nobody has special termination benefits or is entitled to balloon payments.

There is no restraint of trade provisions in place for any executive management.

## Non-executive Directors' fees

Non-executive Directors are paid an annual retainer, on a monthly basis, as well as an attendance fee per meeting. The Company draws on the experience, skills and knowledge of the Non-executive Directors with the result that they are also performing consultative services but are not paid a separate fee for these services. In this regard, extensive work has been done by the independent Non-executive Directors during the past years that otherwise would have resulted in high external consulting fees. The fee structure is evaluated regularly based on public surveys and internal benchmarking taking into account the additional services rendered, the complexity and the responsibilities assumed.

No increase in Non-executive Director's fees is proposed for 2024. The table below sets out the retainer portion of the Non-executive Director's fees:

| | **Fixed fee per annum** | |
|---|---|---|
| | **2023 Actual** | 2024 Recommended |
| Chairman of the Board | **BWP660 000** | BWP660 000 |
| Chairman of the ARC/Remcom | **BWP500 000** | BWP500 000 |
| Chairperson of the investment committee | **BWP360 000** | BWP360 000 |
| Other members of the Board | **BWP300 000** | BWP300 000 |

In addition to the above retainers, sitting fees of BWP33 333 per Board and committee meeting are paid. Non-executive directors do not qualify for share options, nor do they participate in any variable pay incentive schemes, to preserve their independence.

## SECTION 3: IMPLEMENTATION AND DISCLOSURE OF REMUNERATION POLICY

This section of the report explains the implementation of the remuneration policy and provides details of the remuneration paid to Executive Directors (the CEO is the only Executive Director), prescribed officers and Non-executive Directors for the financial year ended 30 June 2023.

### Annual salary increases

The average salary increase effective from 1 July for executive management is as follows:

| | **2024** | 2023 |
|---|---|---|
| CEO* | **0%** | 0% |
| Executive management excluding CEO | **8.6%** | 6.1% |

** The gross remuneration of the CEO remained unchanged over the last few years but is in line with benchmarks.*

### Executive remuneration

The remuneration of the CEO and prescribed officers* is reflected in the following table:

| | | | | **Total remuneration** | |
|---|---|---|---|---|---|
| Name | Designation | GR BWP'000 | STI** BWP'000 | **2023 BWP'000** | 2022 BWP'000 |
| R Ottapathu | CEO | 6 965 | – | **6 965** | 10 146 |
| V Madhavan | Deputy CEO | 4 737 | – | **4 737** | |
| M Rajcoomar | CFO | 3 093 | – | **3 093** | 3 721 |
| V Sanooj | Group Compliance Officer | 2 035 | – | **2 035** | 2 279 |

* *Prescribed officer is defined as senior members of management that report directly to the CEO.*

** *Since the financial targets for this year were not achieved the achievement of functional targets did not count and executive management are not eligible for STI in 2023 ( Total STI for 2022: BWP4 324, based on achievement of 50% financial and 100% functional targets).*

## Non-executive Directors’ fees

Non-executive Directors’ emoluments were as follows:

| | Board | | Committees | | | | | Total fees | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Retainer fees | Sitting fees | Audit and risk | Investment | Remco | Social, ethics and HR | Nomination | **2023** | 2022 |
| | BWP’000 | BWP’000 | BWP’000 | BWP’000 | BWP’000 | BWP’000 | BWP’000 | BWP’000 | BWP’000 |
| DKU Corea | 660 | 433 | | | | 33 | 33 | **1 159** | 960 |
| F Ismail | 300 | 367 | | | | | 33 | **700** | 400 |
| T Pritchard+ | 417 | 333 | 67 | 100 | | | | **917** | 966 |
| CJ Harward | 360 | 433 | 167 | 100 | 33 | | 33 | **1 126** | 793 |
| V Chitalu – Company | 300 | 433 | 167 | 100 | 33 | 33 | | **1 066** | 733 |
| V Chitalu – Subsidiary* | 318 | | | | | | | **318** | 340 |
| R P De Silva++ | 83 | 67 | 100 | | 33 | 33 | | **316** | - |
| | 2 438 | 2 066 | 501 | 300 | 99 | 99 | 99 | **5 602** | 4 192 |

** Fees paid to Mr Chitalu as chairperson of the company’s Zambian subsidiary.*
*+ Resigned 1 May 2023.*
*++ Appointed 1 May 2023.*

On behalf of the remuneration committee

**R P De Silva**
*Remuneration committee Chairman*

20 September 2023

# SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE REPORT

## BACKGROUND

The scope of the social and ethics committee has been expanded to include matters relating to human resources as referred to in the governance report on page 76. The Board supports and endorses the committee, which operates independently of management and is free of any organisational restraint or pressure. The committee consists of not less than three members, and the majority of the members must be independent Non-executive Directors.

## ROLE AND RESPONSIBILITY

The role of the social and ethics committee is to assist the Board in all matters relating to organisational ethics, responsible corporate citizenship, health and safety, sustainable development, environmental awareness and stakeholder relationships including overseeing the Group's shared value programme and initiatives in addition to the human resource function of the Group.

The key objectives and responsibilities of the committee are aligned with King IV, the 10 principles set out in the United Nations Global Compact as well as the OECD recommendations regarding corruption.

## ACTIVITIES DURING THE PAST YEAR

During the past year the committee reviewed the following:

- Social and ethics committee charter
- Code of business practice and ethics
- Code of supplier conduct
- Anti-bribery and corruption policy
- Whistleblowers report and policy
- Anti-money laundering and KYC policy
- Safety Health and Environment ("SHE") programme
- Environmental awareness initiatives
- An evaluation was carried out by the Board including evaluations of the Board committees and an assessment of the Chairman's performance
- Shared value initiatives relating to:
  - Number of farmers being assisted
  - Local manufacturing
  - Individuals living with disabilities
  - Woman empowerment
  - Staff training
  - Donations and sponsorships

## FUTURE OUTLOOK

The committee will continue to review and assess all policies on an annual basis to assess their relevance. This will help determine whether any updates will be required due to changes in legislation or the emergence of new governance trends. The committee's duties with regard to oversight of human resources were transferred to the remuneration committee towards the end of FY2023.

In FY2024, the committee will continue to build on the foundation laid during the past two years to ensure that policies and programmes are in place to maintain high standards of good corporate citizenship and address the needs of internal and external stakeholders, and strong consumer relations.

Furthermore, the committee will monitor the Group's activities relating to its responsibilities as outlined in the constitutions of Botswana and any other jurisdiction where the Group has established operations.

## CONCLUSION

No material non-compliance with legislation and regulations, nor material regulatory fines or penalties relevant to the areas within the committee's mandate, have been brought to its attention during the reporting period.

**Uttum Corea**
*Social, ethics and human resources committee Chairman*

20 September 2023

# INVESTMENT COMMITTEE REPORT

The Investment Committee ("IC") serves as a crucial element in our corporate governance structure, comprising three independent Non-executive Directors who operate with full independence and are appointed by the Board with Ms CJ Harward, serving as the committee's Chairperson. During the reporting period, there were some notable changes in the composition of the investment committee. Mr T Pritchard, a previous member of the committee, resigned, while Mr V Chitalu and Mr R P De Silva joined as new members. It is worth highlighting that the composition of the Investment Committee adheres strictly to its own charter, which mandates the presence of three Independent Non-executive Directors as committee members. Furthermore, it is essential to note that while the Chairman of the Board and other directors attend committee meetings by invitation, they do not possess voting rights. In addition, executives such as the CEO, deputy CEO, CFO, Chief Compliance Officer ("CCO"), and the Company's legal representative are invited to attend meetings when their expertise is required. The committee may also request the attendance of other executives for specific sections of meetings as needed. A comprehensive record of member attendance at meetings throughout the FY2023 is set out on page 81.

The primary purpose of the investment committee is to act as an advisory body to the Board. It plays a pivotal role in evaluating investment opportunities that come before the Group. Importantly, the committee's mandate is to ensure that such opportunities are scrutinised transparently and thoroughly. While it offers its recommendations to the Board, it is important to underscore that the ultimate decision regarding these investments rests with the Board. Before any new investment opportunity is finalised, the committee diligently follows a multi-step process, ensuring that:

- Transparency prevails: All negotiations are conducted with the utmost transparency.
- Risks are carefully evaluated: A comprehensive assessment of risks and the Group's risk appetite is undertaken.
- Due diligence is conducted: Formal due diligence is carried out, encompassing legal, technical, and financial aspects.
- Legal expertise is sought: All agreements are subjected to review by our legal team.
- Board is informed: Any significant developments are apprised to the Board before finalising the investment.

During the reporting period, the Investment Committee diligently reviewed and subsequently recommended the following transactions to the Board for approval:

## RIGHTS OFFER

Despite the Group's return to profitability, it continued to grapple with technical insolvency, primarily due to brought forward losses of the Group and forex losses stemming from our Zimbabwe subsidiary. To address this issue, the Board decided to initiate a rights offer. The key objectives of this offer were to restructure the Company's balance sheet, eliminate technical insolvency, reduce interest-bearing debt to enhance profitability, and mitigate the impact of debt on solvency ratios and going concern issues.
Under the rights offer, Choppies issued a total of 520 833 333 ordinary shares for subscription at the rights offer price of P0.576 or R0.82368 per ordinary share. The offer was structured on the basis of 1 rights offer share for every 2.50297 ordinary shares held by qualifying Choppies shareholders. Importantly, the rights offer was partially underwritten by Ivygrove Holdings Proprietary Limited and Export Marketing (BVI) Limited. The rights offer successfully concluded on Wednesday, 28 June 2023, raising the full amount of P300 000 000 as intended.

## KAMOSO ACQUISITION

After the fiscal year-end, Choppies Distribution Centre (Pty) Ltd made a strategic move by acquiring a controlling stake of 76% of the issued shares of Kamoso Africa. This acquisition came at a purchase price of BWP2, with Choppies also assuming BWP180 million in debt. Kamoso Africa stands as a prominent manufacturing, supplier, and distribution company, offering substantial synergies and growth prospects for Choppies Group.

Kamoso Africa's current trading divisions encompass:

- Milling businesses in Botswana, focusing on the milling and distribution of sorghum, white maize meal, samp, animal feed mix, and the packaging of rice, spices, and pulses
- Keriotic Investments in Botswana, specialising in importing value-for-money food and non-food FMCG products
- Mediland in Botswana, primarily engaged in the distribution of diagnostic medical equipment and consumables, along with pharmaceutical product distribution to local hospitals
- Tissue packaging in Botswana, serving as a manufacturer of private-label and institutional toilet tissue

# INVESTMENT COMMITTEE REPORT continued

- Water bottling in Botswana, responsible for the manufacturing of plastics and the bottling of drinking water
- Builders Mart in Botswana, a retail establishment focused on building materials and supplies catering to consumers and SMEs, with a strong emphasis on the DIY market, boasting 27 stores
- Skywalker in South Africa, a retail entity specialising in alcoholic beverages, operating 10 stores
- Liquorama in Botswana, combining retail and wholesale aspects for alcoholic beverages across 70 stores
- A Group in Botswana, acting as a private management and holding company.

The strategic alignment between Kamoso's businesses and Choppies Group's strategy is evident, offering diversification opportunities, particularly within the liquor and hardware sectors, along with the prospect of backward integration via the milling and packaging businesses.

Continuing our strategy of cautious and incremental expansion, the Group successfully opened 16 new stores in the following locations: seven in Botswana, one in Zimbabwe, three in Zambia, and five in Namibia.

In conclusion, the Investment Committee attests to having fulfilled all its statutory duties, as assigned by the Board, during the review period. The committee's Chairperson, Ms Carol-Jean Harward, continues to report on committee activities during Board meetings, ensuring robust oversight and governance.

Harward

**Ms Carol-Jean Harward**
*Investment committee Chairperson*

20 September 2023

# APPLICATION OF KING IV PRINCIPLES

**The various principles of King IV are embodied in the different sections of the Integrated Report. The listing requirements of the BSE, however, require a full disclosure as an annexure in the Annual Report and, for that reason, the below has been prepared for inclusion in the Integrated Report.**

**The Group complies with the King IV principles as explained below:**

## LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

| | | |
|---|---|---|
| **Principle 1** | **Leadership**<br>The Board should lead ethically and effectively | The Board of Directors leads ethically and effectively, adhering to the duties of a director by acting with due care and diligence and maintaining a sufficient working knowledge of Choppies and its industry and remaining informed about matters for decision-making.<br><br>The Board is competent to steer and set the strategic direction of the Group and oversee the implementation of approved strategies by management, ensuring accountability for the Group's performance. The Board is mindful of the impact of the Group's activities on society and the environment, considering key risks and opportunities, and seeks to ensure sustained value creation for all stakeholders.<br><br>The Board charter sets out the role and responsibilities of directors. The charter also outlines the policies and practices of the Board on matters such as directors' dealings in the securities of the Company, which is done in accordance with legislation and BSE and JSE Listings Requirements, and further supported by a share dealing policy.<br><br>Each director signs a declaration at Board meetings, declaring any interests or potential conflicts, or confirming that there are no conflicts of interest.<br><br>The Board, its committees, its chair and individual members are subject to a formal evaluation process at least every two years. The results are discussed and actioned by all concerned. |
| **Principle 2** | **Organisational ethics**<br>The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. | The Board ensures that Choppies' ethics are managed effectively and provides effective leadership based on an ethical foundation.<br><br>An ethical corporate culture is promoted and sustained by:<br>• Endorsing the values of the Group documented in the code of business conduct and ethics<br>• The code is published on the website and incorporated by reference in employee contracts<br>• Endorsing internal policies, specifically around anti-bribery and corruption, gifts and entertainment and whistleblowing to tackle practices inimical to ethical conduct more efficiently<br>• Monitoring and reporting on the measures taken by the Group to achieve adherence thereof (through the social, ethics and HR, and audit and risk committees)<br>• All business conducted by the Board and management aligns with the values of the Group. |

# APPLICATION OF KING IV PRINCIPLES continued

## LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP continued

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|---|---|---|
| Principle 3 | **Responsible corporate citizenship**<br>The Board should ensure that the organisation is and is seen to be a responsible corporate citizen. | The implementation and execution of the code of business conduct and ethics and related policies are delegated to management.<br><br>The Board ensures that the Group is, and is seen to be, a responsible corporate citizen. The Board endorse the values, strategy and conduct which are congruent with being a responsible corporate citizen.<br><br>The Board assesses the consequences of the Group's activities by monitoring performance against measures and targets in the following areas:<br>• Workplace (including, but not limited to, employment equity, fairness of remuneration principles, development of and the health and safety of employees)<br>• Economy (including, but not limited to, economic transformation, fraud and corruption practices and policies, approving a responsible and transparent tax policy)<br>• Society (including, but not limited to, public health and safety, consumer protection, protection of human rights)<br>• Environment (including, but not limited to, responsibilities in respect of pollution and waste disposal).<br><br>The monitoring of above activities is delegated to the social, ethics and HR committee. |

## STRATEGY, PERFORMANCE AND REPORTING

| | | |
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| Principle 4 | **Strategy and performance**<br>The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. | The Board appreciates that strategy, risk, performance and sustainability are inseparable and gives effect to this in the following manner:<br>• Providing strategic direction by assessing and approving the Group's strategy submitted by top management<br>• In approving the Group strategy, the Board challenges it constructively with reference to, among others, the timelines and parameters which determine the meaning of short, medium and long-term, respectively, availability of resources and relationships connected to the various forms of capital, and the expectations of material stakeholders<br>• Assessing the impact (risk and opportunities) of the short, medium and long-term strategy and responding to negative consequences on the economy, society and environment<br>• Approving policies and plans to implement the strategy, including key performance measures for assessing the achievement of the strategic objectives<br>• Upon approval, the Board empowers top management to implement the said strategy and to provide it with timely, accurate and relevant feedback on progress. |

## STRATEGY, PERFORMANCE AND REPORTING

| | | |
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| Principle 5 | **Reporting**<br>The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects. | The Board delegates the governance and approval of the integrated report to the audit and risk committee.<br>The audit and risk committee discharges its duties by:<br>• Ensuring that the Group issues a report annually<br>• Assessing the integrity of external reports (including the nature, scope and extent of assurance, legal requirements, intended user)<br>• Approving the reporting frameworks adopted by management<br>• Ensuring that all issued reports (online or printed) comply with legal requirements and meet the legitimate and reasonable information needs of material stakeholders<br>• Approving the threshold of materiality used for purposes of disclosing information or not<br>• Overseeing the assurance provided by the internal audit department on sustainability reporting and disclosure. |

## GOVERNING STRUCTURES AND DELEGATION

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| Principle 6 | **Primary role and responsibilities of the Board**<br>The Board should serve as the focal point and custodian of corporate governance in the organisation. | The Board is the custodian of corporate governance in the Group. The Board has adopted a charter setting out its responsibilities, duties and accountability towards Choppies. The charter is reviewed annually.<br><br>Choppies' governance practices are disclosed on page 76 of this integrated report. |
| Principle 7 | **Composition of the Board**<br>The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. | An independent Non-executive Chairman leads the Board. The Board comprises a balance of executive and Non-executive members, with the majority being non-executive of whom most are independent.<br><br>Directors are appointed through a formal process. The nominations committee identifies suitable candidates and final approval of appointment resides with the entire Board. All effort is taken to ensure the composition of the Board comprises the appropriate mix of knowledge, skills and experience (business, commercial and industry) which is sufficient to deliver on strategies and create long term shareholder value. The Board comprises of a minimum of four directors with no maximum number.<br><br>In terms of the Company's constitution all new Non-executive Directors appointed during the year, as well as one-third of the existing Non-executive Directors, must retire on a rotational basis each year but may offer themselves for re-election. The nominations committee makes recommendations regarding the re-election of the retiring directors considering performance, meeting conduct, etc. |

# APPLICATION OF KING IV PRINCIPLES continued

## GOVERNING STRUCTURES AND DELEGATION continued

| | | |
|---|---|---|
| **Principle 7 continued** | **Composition of the Board (continued)** | A formal induction programme exists for all new directors. Upon their appointment new directors receive an induction pack consisting of, inter alia, agendas and minutes of the previous Board and sub-committee meetings, the latest integrated report, relevant insurance information, strategic documents, relevant policies and charters, and are informed of their fiduciary duties in terms of the Companies Act and BSE/JSE Listings Requirements. They also visit various sites and distribution centres and have meetings with executive management.<br><br>The roles and responsibilities of the chair and the CEO are separated.<br><br>The Board ensures that succession plans are in place for the Board and senior management. |
| **Principle 8** | **Committees of the Board**<br>The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties. | The Board has delegated particular roles and responsibilities to Board committees, which operate under Board approved charters, setting out the nature and extent of the responsibilities delegated and decision-making authority. These charters are reviewed annually. The Board ensures that each Board committee has the necessary skills, experience and knowledge to discharge its duties effectively.<br><br>The delegation by the Board of its responsibilities does not constitute a discharge of its accountability.<br><br>Each committee comprises of majority independent Non-executive Directors.<br><br>A summary of each committee's terms of reference are contained in the corporate governance section of the integrated report. The number of meetings and attendance are published in the integrated report under corporate governance. Each committee has a section in the integrated report where the committee expresses its views regarding its satisfaction on the fulfilment of its responsibilities. |
| **Principle 9** | **Evaluations of the performance of the Board**<br>The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness. | A performance evaluation of the Chairman, individual directors, the Board as a whole and the Board committees are subject to a formal evaluation process, either externally facilitated or self-evaluation at least every two years. The nominations committee leads the evaluation process.<br><br>Each director is required to comment on the Board structure and responsibilities, processes, practices and culture of the Board, overall performance, the structure, resources and performance in respect of statutory duties of the committees.<br><br>The results of the evaluations are discussed with the Board as a whole and suggested changes and comments are actioned. |

## GOVERNING STRUCTURES AND DELEGATION

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| Principle 10 | **Appointment and delegation to management**<br>The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities. | The Board is responsible for the appointment of the CEO and evaluates the CEO's performance annually against agreed performance measures and targets.<br><br>The Board has approved a delegations of authority matrix, which details the powers and matters reserved for itself and those to be delegated to management through the CEO.<br><br>The Group's CEO is responsible for leading the implementation and execution of the Group's strategy, policies and operational plans and reports to the Board. The Board ensures that key management functions are led by a competent and appropriately authorised individual and are adequately resourced. |

## GOVERNANCE FUNCTIONAL AREAS

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| Principle 11 | **Risk governance**<br>The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives. | The Board is the ultimate custodian of risk governance. To this end, the Board has approved the risk management policy and framework upon the recommendations by the audit and risk committee.<br><br>Management continuously identifies, assess, mitigates and manages risks within the existing operating environment. Mitigating controls are put in place to address these risks. The Board is apprised of the Group's top risks; the audit and risk committee is responsible for ensuring a comprehensive risk register is tabled at Board meetings and lessons learnt are taken into consideration when formulating appropriate measures for mitigating the potential negative impact of the top risks on the achievement of the Group's strategic objectives.<br><br>Choppies' top risks are disclosed on page 87 of this integrated report. |
| Principle 12 | **Technology and information governance**<br>The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. | The Board understands the importance, relevance and inherent risks in information technology ("IT"). It oversees the governance of IT and information. The Board delegated to the audit and risk committee the authority to ensure appropriate compliance structures are in place.<br><br>The audit and risk committee monitors IT governance and approves the IT strategy.<br><br>The Chief Information Officer is responsible for implementing and executing effective technology and information management systems. |

## GOVERNANCE FUNCTIONAL AREAS continued

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| Principle 13 | **Compliance governance**<br>The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen. | The Chief Compliance Officer is responsible for guiding the Board in discharging its regulatory responsibilities. The audit and risk committee as well as the social, ethics and HR committees monitor the process implemented by management to ensure legal compliance.<br><br>The Group's compliance function ensures that processes are in place and are continuously improved to mitigate the risk of non-compliance with laws, and to ensure appropriate responses to changes and developments in the regulatory environment.<br><br>The Group has adopted a combined assurance model based on three lines of defence, whereby reliance is placed on various internal and external assurance providers to ensure the Group's compliance with applicable laws, codes and standards.<br><br>The audit and risk committee oversees the application of the combined assurance model on an ongoing basis.<br><br>The Board discloses details on how it discharged its responsibility towards governing and managing compliance, areas of focus, and inspections by authorities as well as material or repeated instances of non-compliance in the integrated report. See page 76. |
| Principle 14 | **Remuneration governance**<br>The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. | The Group's remuneration committee is tasked by the Board to independently approve and oversee the implementation of a remuneration policy. The committee has considered the internal and external factors that influence remuneration in formulating a policy.<br><br>The policy is designed to attract, motivate, reward, and retain human capital, and to promote the achievement of the Group's strategic objectives. Furthermore, the Group's approach towards remuneration aims to ensure that an appropriate balance is achieved between the interests of shareholders, the operational and strategic requirements of the Group and providing attractive and appropriate remuneration packages to employees. The remuneration of the directors and top management is considered on an annual basis and benchmarked against peer groups to ensure fair remuneration.<br><br>The Group discloses the remuneration of each director and top management in the integrated report. The remuneration report, including the implementation report and the remuneration policy are set out on pages 91 to 97 of the integrated report.<br><br>The remuneration policy and the implementation report are tabled annually at the annual general meeting as separate votes. |

## GOVERNANCE FUNCTIONAL AREAS

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| Principle 15 | **Assurance**<br>The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports. | The Board has adopted a combined assurance model to obtain assurance from various assurance providers that internal controls are efficient and effective, including internal and external audit, regulatory authorities, line functions, etc.<br><br>Assurance services are overseen by the audit and risk committee. The committee is responsible for, among other things:<br>• Reviewing the adequacy and effectiveness of the financial reporting process and system of internal control<br>• Approving the integrated report, Annual Financial Statements, interim reports and media releases and recommending to the Board for final approval<br>• Overseeing the internal audit function and approving the annual work plan<br>• Making recommendations to the shareholders for the appointment of the external auditors and confirming their independence<br>• Reviewing the expertise, resources and experience of the Company's finance function<br>• Ensuring that the financial reporting procedures are appropriate and that those procedures are effective.<br><br>The internal audit function is outsourced to an independent professional firm.<br><br>The report of the audit and risk committee is set out on pages 114 to 117 of the integrated report. |

## STAKEHOLDER RELATIONSHIPS

| | | |
|---|---|---|
| Principle 16 | **Stakeholders**<br>In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. | An overview of stakeholder relationships and engagement are provided on page 40 of the integrated report.<br><br>The Board is committed to providing timely, relevant and transparent information on corporate strategy and financial performance.<br><br>The Board, through the social, ethics and HR committee, governs stakeholder relationships, communication and reporting and delegates to management the responsibility for execution.<br><br>Shareholders are encouraged to attend and actively participate in the annual general meeting. The Board ensures that the Chairpersons of the Board's committees and the designated external auditor are present at the annual general meeting to respond to questions from shareholders. |


# 06

# Annual financial statements


**The rights offer was successfully finalised by year-end with a portion of the proceeds paid toward debt during and after the year-end.**

## ANNUAL FINANCIAL STATEMENTS

# DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are responsible for the preparation and fair presentation of the consolidated and separate Financial Statements of Choppies Enterprises Limited, comprising the statements of financial position as at 30 June 2023 and the statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year ended 30 June 2023, the accounting policies and the notes to the Financial Statements, in accordance with International Financial Reporting Standards ("IFRS"), Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, the Botswana Stock Exchange, Johannesburg Stock Exchange Listings Requirements and requirements of the Botswana Companies Act.

The directors are also responsible for such internal controls they deem necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. In addition, the directors are responsible for the preparation and presentation of the other information accompanying the Financial Statements.

The directors have assessed the ability of the Company and its subsidiaries to continue as going concerns (refer to note 41) and, based on management's assessment, have no reason to believe these businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate Annual Financial Statements are fairly presented in accordance with the International Financial Reporting Standards ("IFRS").

## APPROVAL OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Having considered the unmodified audit opinion of the auditors as set out on pages 118 to 125, for the year 30 June 2023, the Board of directors approved the consolidated and separate Financial Statements of Choppies Enterprises Limited, as identified in the first paragraph, on 20 September 2023 and these are signed on their behalf by:

**R Ottapathu**
*Chief Executive Officer*

**Uttum Corea**
*Chairman*

20 September 2023

# CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

The members of management, whose names are stated below, hereby confirm that:

The Annual Financial Statements set out on pages 126 to 185, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS

- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the Annual Financial Statements false or misleading
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the Annual Financial Statements of the issuer
- The internal financial controls are adequate and effective and can be relied upon in compiling the Annual Financial Statements, having fulfilled our role and function as executives with primary responsibility for implementation and execution of controls
- Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies
- We are not aware of any fraud involving directors.

**R Ottapathu**
*Chief Executive Officer*

**M Rajcoomar**
*Chief Financial Officer*

20 September 2023

# CERTIFICATE OF THE COMPANY SECRETARY

We declare that, to the best of our knowledge, the Company has lodged with the Companies and Intellectual Property Authority all such returns as are required of a public company in terms of the Botswana Companies Act, and all such returns are true, correct and up-to-date.

**BP CONSULTING SERVICES (PROPRIETARY) LIMITED**

*Company Secretaries*

20 September 2023

# DIRECTORS' REPORT

for the year ended 30 June 2023

The Board of Directors ("directors") are pleased to submit their report on the financial statements of Choppies Enterprises Limited ("the Company") for the year ended 30 June 2023.

## 1. LISTING INFORMATION

Choppies Enterprises Limited ("the Company") is a Botswana-based investment holding company operating in the retail sector in Southern Africa, dual-listed on the Botswana Stock Exchange ("BSE") and JSE Limited ("JSE"). The Company registration number is BW00001142508.

## 2. NATURE OF BUSINESS

The business of the Group is food and general merchandise retailing as well as financial service transactions supported by centralised distribution channels, through distribution and logistical support centres. The Group operates in Botswana, Zimbabwe, Zambia, and Namibia. The Company operates as an investment holding company.

## 3. REVIEW OF FINANCIAL RESULTS

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Botswana.

Full details of the financial position, results of operations and cash flows of the Group and Company are set out in these financial statements, pages 126 to 185.

## 4. STATED CAPITAL

| Issued | **2023 BWP** | 2022 BWP | **2023 Number of shares** | 2022 Number of shares |
|---|---|---|---|---|
| Ordinary shares | **1 207 052 841** | 906 196 000 | **1 824 461 674** | 1 303 628 341 |

The Company released a circular, relating to the partially underwritten, renounceable rights offer of ordinary no par value shares in Choppies.

In terms of the rights offer, Choppies offered a total of 520 833 333 ordinary shares for subscription, by way of renounceable rights, at the rights offer price of BWP0.576 or R0.82368 (based on the applicable Pula/Rand exchange rate as at close of trade on 31 May 2023, being R1.43 to the Pula) per ordinary share on the basis of 1 rights offer share for every 2.50297 ordinary shares held by qualifying Choppies shareholders.

The rights offer was partially underwritten by Ivygrove Holdings Proprietary Limited and Export Marketing (BVI) Limited.

The rights offer closed at 12:00 Botswana/South African time on Wednesday, 28 June 2023 and the full BWP300 000 000 was raised.

## 5. DIVIDENDS

No dividends were declared during the period under review (2022: Nil).

## 6. DIRECTORATE

Details of directors and movements during the year are given on page 22 of the Integrated Annual Report.

## 7. DIRECTOR'S INTERESTS IN SHARES

As at 30 June 2023, the directors held direct and indirect beneficial interests in 46.15% (2022: 46.08%) of its issued ordinary shares as set out on page 188 of the Integrated Annual Report.

## 8. SHAREHOLDERS

Details of shareholders are set out on page 188 of the Integrated Annual Report.

## 9. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, except for those stated in note 43 of the Integrated Annual Financial Statements, which occurred after the reporting date and up to the date of this report.

## 10. GOING CONCERN

The directors, relying on management's assessments, believe that the Company and Group will continue as going concerns for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis. More details about the going concern assessment have been provided in note 41 of the Annual Financial Statements.

## 11. COMPANY SECRETARY

BP Consulting Services (Pty) Limited, Plot 28892, Twin Towers, West Wing, First Floor, Fairground, Gaborone, Botswana

## 12. INDEPENDENT AUDITORS

Mazars, Plot 139, Finance Park, Gaborone, Botswana

## 13. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Annual Financial Statements, set out on pages 126 to 185, were approved by the Board on 20 September 2023.

# REPORT OF THE AUDIT AND RISK COMMITTEE ("ARC")

for the year ended 30 June 2023

## INTRODUCTION

The background to this Board committee, its main functions, composition, and attendance by members, are set out on pages 78 to 79 of the governance report. This section deals with the activities of the ARC during FY2023.

## COMBINED ASSURANCE

For combined assurance to be effective, it involves a process that will take time for it to become an integral part of the Group's overall control environment.

The ARC plays its role in embedding combined assurance in the Group by inviting the assurance providers, internal and external, to all of its meetings, which goes a long way in laying the groundwork ensuring the necessary culture is created for an effective combined assurance model.

The ARC is, however, satisfied that the framework is in place for a combined assurance model in the Group and that satisfactory progress has been made during the past year.

## RISK MANAGEMENT

A structured approach to risk management and a risk management framework and policy are in place, the details of which are set out in the risk management report on page 84. The ARC maintains oversight of this process.

During the year, the ARC reviewed the risk register, which is updated on a continual basis. The committee is satisfied that all key risks are identified and monitored. The top 10 risks facing the Group are listed in the risk management report.

The updated risk register and mitigation proposals have been approved by the Board.

## COMPLIANCE

Management continues to make good progress in its compliance model. This model lists and analyses all applicable laws and regulations that have an impact on the Group's activities including the BSE and JSE Listings Requirements. The ARC reviewed this model and is satisfied that the Group complies with all the laws and regulations listed therein.

Internally, several governance policies and committee charters were drawn up during the last few years and have been reported, especially in the previous integrated report. The ARC was instrumental in drafting these policies and is satisfied that the framework for a world-class governance system is in operation in the Choppies Group. Several implementation issues emerged during the past year. These matters are in the process of being addressed by the Board.

The ARC has recommended to the Board that King IV refresher courses be held for directors and senior management during the next year.

## FINANCE FUNCTION

Progress has been made to strengthen the finance staff at country level with the appointments of chartered accountants in Zambia and Zimbabwe. Further appointments are in the pipeline which are necessary to strengthen the finance department at a senior level.

The preparation of financial reports, including the Annual Financial Statements, were prepared under the supervision of Mr Minnesh Rajcoomar CA(SA), the Group CFO. In terms of section 5.11(h) of the BSE Listings Requirements, the committee reviewed the experience and expertise of Mr Rajcoomar and is satisfied that he is suitable to head up the Group's finance function.

## INFORMATION TECHNOLOGY ("IT")

To thrive in an ever-changing digital world, it is essential for an organisation to establish a technology governance framework while ensuring risks are identified and managed. Deploying technologies to assist with quality assurance and remove the risk of human error from critical operational and financial data is essential to enable effective decision-making and quality reporting. Information security is essential to protect our own and third-party information.

At Choppies, the ARC embraces the above statements as well as the recommendations of the King IV report and use these as a guide to oversee IT processes delegated to it by the Board. An established IT steering committee as well as the in-house CIO ensure that all IT frameworks and policies are adhered to and are up to date. Governance processes are managed through an IT charter setting out the functions, responsibilities and procedures of the steering committee.

All IT acquisitions fall within the same capital approval processes as other capital expenditure projects and would thus, based on value, be submitted to the Board for approval.

The need for a standardised ERP solution throughout the Group's operations is becoming increasingly important to cater for the ever-changing environment. This is especially relevant in countries, other than Botswana, where too much manual intervention can compromise the accuracy and timing of information. After a careful evaluation process the Group has identified a suitable system and the Board recently approved its acquisition and implementation.

No incidents of breaches in cybersecurity were reported.

## WHISTLEBLOWING MEASURES

The ARC reviewed the reports from whistleblowers for the past year. No incidents of irregular or unethical behaviour were reported.

## COMPANY SECRETARY

During FY2023, the Company appointed BP Consulting Services (Pty) Limited as the company secretary. The Board will be conducting an evaluation of their performance during FY2024.

## INTERNAL AUDIT

Good progress has been made in bedding down the internal audit function by the independent audit firm, BDO. The internal audit plan is risk-based, identifying risk areas covered on a rotation basis.

In addition, all stores in the Group are covered by a physical audit at least once a year.

The ARC is satisfied with the approach and work of internal audit and considers it as an essential element in a combined assurance model. In addition, the ARC is satisfied that the internal audit function is independent, has unrestricted access to the ARC, and has the necessary resources to enable it to discharge its duties.

## GOING CONCERN

Following the successful rights issue, the problem of negative equity has been eliminated.

In assessing whether the Group and Company will be a going concern for at least the following 12 months, the ARC considered the work done by management as set out in note 41 of the annual financial statements. Having reviewed this work, the ARC concluded to recommend to the Board that the Company and Group can operate as going concerns for at least the next year to September 2024.

# REPORT OF THE AUDIT AND RISK COMMITTEE ("ARC") continued

for the year ended 30 June 2023

## EXTERNAL AUDITORS AND AUDIT REPORT

It was noted that there was no disagreement between the auditors and management during the audit. Regular meetings between ARC members and the auditors with and without management had taken place.

Audit firm rotation and audit partner rotation is carried out in-line with best practice and guidance. Audit partner rotation will be done with effect from the audit of FY2024 because the current engagement partner has now completed 5 years in that role. Audit firm rotation will be effected 10 years after the initial engagement.

The ARC accepts the presentations by the auditors on their independence.

## EXTERNAL AUDIT FEES

### Fees non-audit services

The external auditors, Mazars, were not tasked with any non-audit services.

### Fees – audit services

Fees for audit services that were approved by the ARC and Board for the respective years below can be summarised as follows:

| Financial year – BWP | 2023 | 2022 |
|---|---|---|
| Botswana | **4 100 000** | 3 900 000 |
| Zimbabwe | **1 160 000** | 1 100 000 |
| Zambia | **550 000** | 525 000 |
| Namibia | **303 571** | 286 000 |

The above fees require a confirmatory vote by shareholders.

## INTERNAL FINANCIAL CONTROLS

Management is accountable to the Board for the design, implementation, monitoring and integrating of internal financial controls for the day-to-day running of the Group, focusing on the efficiency and effectiveness of operations, safeguarding the Group's assets, legal and regulatory compliance, business sustainability and reliable reporting, including financial reporting.

The ARC is satisfied that the Group's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements following reviews and reports made by the independent internal and external auditors as well as management.

No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the past financial year.

## INTEGRATED REPORT

The ARC evaluated the integrated report of the Group for the year ended 30 June 2023 and based on the information provided to the committee, considers that the Group complies in all material respects with the requirements of the Companies Act and IFRS, and the ARC recommended the integrated report to the Board for approval.

## KEY FOCUS AREAS

In executing its compliance duties during the 2023 financial year, the ARC, in addition to the above, also:

- Recommended to re-appoint Mazars as external auditors for the 2023 financial year
- Confirmed that Mazars is accredited by the BSE
- Approved the audit plan and audit strategy memorandum
- Reviewed the audit report to management on identified areas of internal control weaknesses
- Reviewed the audit conclusion report to the ARC
- Met with the external auditors in the absence of management
- Determined the fees to be paid to Mazars as disclosed above and their terms of engagement
- Received no complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group, or other related matters
- Reviewed the draft audited Financial Statements and Integrated Report, the preliminary profit announcement and interim statements
- Met with the external auditors to discuss the Annual Financial Statements before their approval by the Board
- Approved the outsourcing of the internal audit to BDO and also approved their audit plan
- Reviewed the reports of the internal audit and the providers of the whistleblowing providers
- Met with CIO and management and reviewed their reports to the ARC regarding the IT environment
- Reviewed the report from the CFO covering, among others, the financial staff situation
- Made submissions to the Board on matters concerning the Group's accounting policies, financial controls, records and reporting
- Concurred that the adoption of a going concern premise in the preparation of the Annual Financial Statements was appropriate
- Reviewed the risk register and top risks as well as the risk management programme
- Reviewed the compliance register
- Reviewed the status of income tax returns
- Reviewed the Kamoso acquisition and determined the terms of the proposed transaction are fair as far as the shareholders of Choppies are concerned.

## FUTURE FOCUS AREAS

The focus of the committee for the FY2024 will include the enhancement of the role of internal audit and enhancement of reporting on the emerging topics of ESG which is becoming very important.

## CONCLUSION

The ARC members have acted independently and with due regard to their duties as directors and members of the ARC, which was taken seriously. We trust that this report allowed shareholders an insight into the Company in terms of our charter.

**RP De Silva**

*Audit committee Chairman*

20 September 2023

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2023

## TO THE SHAREHOLDERS OF CHOPPIES ENTERPRISES LIMITED

### REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

#### Opinion

We have audited the consolidated and separate financial statements of Choppies Enterprises Limited and its subsidiaries ("Choppies Group") set out on pages 126 to 185 which comprise the consolidated and separate statement of financial position as at 30 June 2023, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Choppies Group as at 30 June 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of consolidated and separate financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Matter #01 | Accounting for Supplier Rebate Income |
|---|---|
| **Description of Key Audit Matter** | The Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. As such, the group recognises other income or a reduction in cost of sales because of amounts receivable from suppliers.<br><br>We regarded the recognition of supplier rebates to be a matter of most significance to the audit as there is a risk that rebates may be materially misstated due to the significant magnitude thereof, the varying terms with the suppliers and the judgements made in accruing for rebates as at year-end in relation to the nature and level of fulfilment of the group's obligation under the supplier agreements. Such agreements typically allow for various adjustments to the original selling price of goods subsequent to delivery of the goods, including (but not limited to) trade rebates, volume discounts (often measured using purchases over an extended period of time), early settlement discounts, advertising, and other allowances (collectively, "rebate income").<br><br>The disclosure-associated with supplier rebates is set out in the financial statements on the following note:<br>• Accounting policy 1.19 – Rebates from suppliers |
| **How we addressed the Key Audit Matter** | We assessed the systems used to calculate rebates as well as the controls implemented by management over the accuracy of the calculation of rebates.<br><br>We have tested the inputs used in calculating the supplier rebates by performing, among other, the following procedures for a sample of rebates:<br>• We reviewed the major supplier agreements to understand their terms;<br>• We assessed management's conclusion as to whether the rebate relates to a specific and genuine service, and consequently the treatment of the rebate in relation to the measurement of the cost of inventory at year-end, through comparison to prior year treatment and evaluation of the types and terms of rebates received with reference to contractual terms;<br>• We recalculated and assessed the rebate amounts recognised and the period in which they were recognised. This was based on the review of contractual performance obligations on a sample of contracts with suppliers to assess the conditions required for supplier rebates to be recognised and whether or not these had been met;<br>• We assessed the recognition and classification of the rebates and other income and related costs in terms of the requirements of IAS 2 *Inventories*; and<br>• We have assessed and evaluated the presentation and disclosure of the above matter, as set out in the note 1.19 of the financial statements (Rebates from suppliers). |

# INDEPENDENT AUDITOR'S REPORT continued

for the year ended 30 June 2023

| Matter #02 | Accuracy and Completeness of Related Party Transactions |
|---|---|
| **Description of Key Audit Matter** | The Group has undertaken transactions with numerous related parties. These include sales of goods to related parties, as well as purchase of goods from related parties. We have identified accuracy and completeness of the related party transactions as a key audit matter due to the significance of related party transactions; the risk that transactions are entered into on a non-arm's length basis, and the risk that such transactions remain undisclosed.<br><br>The disclosure associated with related parties is set out in the financial statements on the following notes:<br>• Accounting policy note 1.7 – Financial Instruments (IFRS 9) – Amounts due from related parties<br>• Note 37 – Related Parties |
| **How we addressed the Key Audit Matter** | Our procedures relating to related party relationships, transactions and balances included, amongst others:<br>• We inquired from management and those charged with governance, and performed other risk assessment procedures considered appropriate, to obtain an understanding of the controls, if any, established to identify, account for, and disclose related party relationships and transactions in the financial statements;<br>• We maintained alertness for related party information when reviewing records and other supporting documents during the fieldwork phase of the audit.<br>• We reviewed an extensive list of business documents and compiled a list of related parties and related party transactions independently.<br>• Where management asserted that the transactions are in fact at arm's length, we assessed this assertion by:<br>– Comparing the terms of the related party transactions to those of an identical or similar transaction with one or more non-related parties.<br>– Comparing the terms of the transaction to known market terms for broadly similar transactions on an open market.<br>– Considering the appropriateness of management's process for supporting the assertion.<br>– Verifying the source of the internal or external data supporting the assertion, and testing the data to determine their accuracy, completeness, and relevance; and<br>– Evaluating the reasonableness of any significant assumptions on which the assertion is based.<br>• We have assessed and evaluated the presentation and disclosure of the above matter, as set out in the note 1.7 (Financial Instruments (IFRS 9))<br>– Amounts due from related parties) and note 37 (Related Parties) of the financial statements. |

| Matter #03 | IFRS 16 – Leases Accounting Standard |
|---|---|
| **Description of Key Audit Matter** | As of June 30, 2023, right-of-use assets in the amount of P635 million (2022: P597 million) and lease liabilities in the amount of P772 million (2022: P744 million) were recognised in Choppies Enterprises Limited's Financial Statements. Right-of-use assets accounts for 29% of total assets with an associated lease liability approximating 36% of total liabilities and thus have a material impact on the group's net assets and financial position.<br><br>The calculation of the lease term and the incremental borrowing rates used as discount rates can be discretionary and based on estimates. In addition, extensive data from the leases must be recorded to calculate the effects of IFRS 16 and the development of lease liabilities and right-of-use assets in accordance with the standard. This data is the basis for the measurement and recognition of the lease liabilities and right-of-use assets.<br><br>There is a risk that the lease liabilities and right-of-use assets are not recognised in full in the statement of financial position. Furthermore, there is a risk that the lease liabilities and right-of-use assets have not been measured correctly.<br><br>Due to the significance of the estimates and judgements involved which could result in a material misstatement this has been deemed a key audit matter.<br><br>The disclosure associated with right-of-use assets and lease liabilities is set out in the financial statements on the following notes:<br>• Note 16 – Right-of-use assets<br>• Note 31 – Lease liabilities<br>• Accounting Policy Note 1.4 – Right-of-Use Assets<br>• Accounting Policy Note 1.6 – Leases |
| **How we addressed the Key Audit Matter** | We critically evaluated the computations and assumptions relating to the IFRS 16 accounting standard. Our evaluation included the following procedures:<br>• We analysed the accounting instructions underlying the completeness and conformity with IFRS 16;<br>• We performed detailed testing on a sample basis, which was chosen in part on a representative and in part on a risk-oriented basis, and reviewed the accuracy and completeness of the lease contracts and that the correct inputs have been applied;<br>• To the extent that discretionary decisions were made regarding the lease term, we reviewed whether, in light of the market conditions and risks in the industry, the underlying assumptions are plausible and consistent with other assumptions made in the Financial Statements; and<br>• We reproduced the group's calculations of the carrying amounts of the lease liabilities and right-of-use assets. To this end, we evaluated the measurement and recognition of lease liabilities and right-of-use assets for selected leases, chosen in part on a representative and in part on a risk-oriented basis. The risk-based assessment included an evaluation of proper measurement in the case of changes to or reassessments of the underlying contract;<br><br>We assessed the appropriateness of the Group's disclosures of the impact of the IFRS 16 accounting standard and the application in the notes to the Financial Statements (Note 31 Lease liabilities and Note 16 on Right-of-Use Assets). |

| Matter #04 | Goodwill impairment |
|---|---|
| **Description of Key Audit Matter** | As disclosed in note 17, the value of the Nanavac Investments (Private) Limited (Zimbabwe) Goodwill arose when the Group assumed control of Nanavac Investments (Private) Limited (Zimbabwe). It arose from the acquisition of Nanavac Investments (Private) Limited (Zimbabwe) and is allocated to the cash generating units ("CGUs") which are individual operating stores in Zimbabwe.<br><br>In line with IAS 36 *Impairment of Assets*, management performs an impairment test on the recoverable amount of goodwill on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amounts may be impaired.<br><br>The recoverable amount of the goodwill has been determined by management using the higher of fair value less cost to sell and value in use calculations. In this instance, the recoverable amount was determined based on value in use, by using the discounted cash flow model. The valuation techniques applied by management involves a significant amount of estimation and judgement.<br><br>The most significant judgements and assumptions used in determining the valuation of the recoverable amounts include among others:<br>• Short- and long-term revenue growth;<br>• Discount rate;<br>• Capitalisation rates;<br>• Net operating costs;<br>• Working capital movement; and<br>• Capital outlay<br><br>The significant of the estimates and judgements involved, coupled with the high number of individual estimates performed, could result in a material misstatement, and therefore warrant specific audit focus.<br><br>The disclosure associated goodwill is set out in the financial statements on the following notes:<br>• Note 17 – Goodwill<br>• Accounting policy Note 1.2 – Consolidation |
| **How we addressed the Key Audit Matter** | We performed substantive tests of detail on the lowest level of cash generating units to which the goodwill has been allocated. We performed the following substantive procedures:<br>• We challenged management with respect to the budgets and forecasts by comparing the Group's historical forecast growth rates and gross margins with actual results to determine whether they are reasonable and supportable;<br>• We evaluated the appropriateness of the valuation methodology applied by management to calculate the recoverable amount of each CGU. We considered the principles and integrity of the discounted cash flow models against the requirements of the IAS 36 and acceptable industry standards;<br>• We evaluated the appropriateness of the Group's discount rates used in each discounted cash flow model, by comparing these discount rates against external industry data and assessing the reasonableness of specific risk premium inputted into the calculation of the discount rates;<br>• We reperformed the arithmetical accuracy of the calculations contained in management's model verifying that all formulae therein were applied accurately; and<br>• We evaluated the completeness and accuracy of disclosures relating to the impairment assessment in the consolidated financial statements, to assess the compliance with the requirements of IAS 36 *Impairment of Assets*. |

## OTHER INFORMATION

The directors are responsible for other information. The other information comprises the information included in the document titled "Choppies Enterprises Limited Consolidated and Separate Annual Financial statements for the year ended 30 June 2023", which includes the Directors' Responsibilities and Approval of the Consolidated and Separate Financial Statements and the Chief Executive Officer and Chief Financial Officer Responsibility Statement, which we obtained prior to the date of this report, and the Annual Integrated Report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

# INDEPENDENT AUDITOR'S REPORT continued

for the year ended 30 June 2023

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the latter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars

**Mazars Gaborone**

*Certified Auditors*
*Practicing member: Shashikumar Velambath*
Membership number: CAP 022 2023

21 September 2023

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula million* | Note(s) | **2023** | 2022 | **2023** | 2022 |
| Revenue | 4 | **6 486** | 6 097 | **-** | – |
| Retail sales | 4 | **6 433** | 6 042 | **-** | – |
| Cost of sales | 5 | **(5 074)** | (4 735) | **-** | – |
| **Gross profit** | | **1 359** | 1 307 | **-** | – |
| Other operating income | 4 | **53** | 55 | **-** | – |
| Profit/(loss) on disposal of plant and equipment | 6 | **4** | (2) | **-** | – |
| Movement in credit loss allowances | 7 | **(6)** | (7) | **-** | (30) |
| Administrative expenses | 8 | **(978)** | (834) | **(3)** | – |
| Selling and distribution expenses | 9 | **(22)** | (35) | **-** | – |
| Foreign exchange (losses)/gains on lease liability | 7 | **(31)** | 28 | **-** | – |
| Contingent consideration on sale of South African operations | 36 | **-** | (20) | **-** | – |
| Foreign exchange gains on Zimbabwean legacy debt receipts | 11 | **18** | 15 | **-** | – |
| Other operating expenses | 10 | **(115)** | (220) | **-** | – |
| Commission on Zimbabwean legacy debt receipts | 11 | **(7)** | – | **-** | – |
| Net monetary loss on Zimbabwe entities | | **(1)** | (8) | **-** | – |
| **Operating profit/(loss)** | 7 | **274** | 279 | **(3)** | (30) |
| Finance costs | 12 | **(109)** | (99) | **-** | – |
| **Profit/(loss) before taxation** | | **165** | 180 | **(3)** | (30) |
| Taxation | 13 | **(15)** | (35) | **-** | – |
| **Profit/(loss) for the year** | | **150** | 145 | **(3)** | (30) |
| **Other comprehensive income:** | | | | | |
| **Items that may be reclassified to profit or loss:** | | | | | |
| Exchange differences on translating foreign operations | | **(96)** | (113) | **-** | – |
| Exchange differences on translating foreign operations in hyperinflationary currency | | **43** | 75 | **-** | – |
| **Total items that may be reclassified to profit or loss** | | **(53)** | (38) | **-** | – |
| **Other comprehensive loss for the year net of taxation** | | **(53)** | (38) | **-** | – |
| **Total comprehensive income/(loss) for the year** | | **97** | 107 | **(3)** | (30) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the parent | | **147** | 140 | **(3)** | (30) |
| Non-controlling interest | | **3** | 5 | **-** | – |
| | | **150** | 145 | **(3)** | (30) |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the parent | | **94** | 103 | **(3)** | (30) |
| Non-controlling interests | | **3** | 4 | **-** | – |
| | | **97** | 107 | **(3)** | (30) |
| **Earnings per share** | | | | | |
| Basic and diluted earnings per share (Thebe) | 14 | **10.9** | 10.4* | **-** | – |

* *The previous year's basic earnings and diluted earnings have been restated to account for the adjusted weighted average number of shares as a result of the rights offer as detailed in note 26.*

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

| *Figures in Pula million* | Note(s) | Group 2023 | Group Restated* 2022 | Group Restated* 2021 | Company 2023 | Company 2022 |
|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 15 | **632** | 538 | 507 | **–** | – |
| Right-of-use assets | 16 | **635** | 597 | 580 | **–** | – |
| Goodwill | 17 | **17** | 48 | 60 | **–** | – |
| Intangible assets | 18 | **8** | 4 | 5 | **–** | – |
| Investment in subsidiaries | 20 | **–** | – | – | **74** | 74 |
| Deferred tax | 32 | **31** | – | – | **–** | – |
| Investments in new projects | 19 | **7** | 8 | 8 | **–** | – |
| | | **1 330** | 1 195 | 1 160 | **74** | 74 |
| **Current assets** | | | | | | |
| Inventories | 21 | **441** | 461 | 341 | **–** | – |
| Amounts due from related parties | 22 | **3** | 4 | 5 | **464** | 164 |
| Advances and deposits | 23 | **71** | 56 | 44 | **–** | – |
| Trade and other receivables | 24 | **100** | 75 | 65 | **–** | – |
| Taxation refundable | | **10** | 10 | 10 | **–** | – |
| Restricted cash | | **–** | – | 5 | **–** | – |
| Cash and cash equivalents | 25 | **222** | 85 | 74 | **3** | – |
| | | **847** | 691 | 544 | **467** | 164 |
| **Total assets** | | **2 177** | 1 886 | 1 704 | **541** | 238 |
| **Equity attributable to equity holders of parent** | | | | | | |
| Stated capital | 26 | **1 207** | 906 | 906 | **1 207** | 906 |
| Treasury shares | 27 | **(32)** | (30) | (30) | **–** | – |
| Hyperinflationary reserve | 28 | **312** | 269 | 194 | **–** | – |
| Foreign currency translation reserve | 29 | **(682)** | (586) | (474) | **–** | – |
| Accumulated loss | | **(664)** | (811) | (951) | **(671)** | (668) |
| | | **141** | (252) | (355) | **536** | 238 |
| Non-controlling interest | | **(99)** | (102) | (106) | **–** | – |
| | | **42** | (354) | (461) | **536** | 238 |
| **Non-current liabilities** | | | | | | |
| Borrowings | 30 | **216** | 530 | 616 | **–** | – |
| Lease liabilities | 31 | **660** | 587 | 572 | **–** | – |
| Deferred tax | 32 | **23** | 16 | 19 | **–** | – |
| | | **899** | 1 133 | 1 207 | **–** | – |
| **Current liabilities** | | | | | | |
| Trade and other payables | 34 | **785** | 733 | 584 | **5** | – |
| Amounts due to related parties | 33 | **31** | 44 | 44 | **–** | – |
| Borrowings | 30 | **153** | 87 | 86 | **–** | – |
| Lease liabilities | 31 | **168** | 157 | 150 | **–** | – |
| Current tax payable | | **20** | 18 | 26 | **–** | – |
| Bank overdraft | 25 | **79** | 68 | 68 | **–** | – |
| | | **1 236** | 1 107 | 958 | **5** | – |
| **Total liabilities** | | **2 135** | 2 240 | 2 165 | **5** | – |
| **Total equity and liabilities** | | **2 177** | 1 886 | 1 704 | **541** | 238 |

** Refer to note 42.*

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2023

| *Figures in Pula million* | Stated capital | Treasury shares | Foreign currency translation reserve | Hyper-inflationary translation reserve | Accu-mulated loss | Total attributable to equity holders of the Group/ Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Opening balance as previously reported | 906 | (30) | (474) | 194 | (938) | (342) | (106) | (448) |
| Prior year adjustments – CEO gratuity provision* | – | – | – | – | (13) | (13) | – | (13) |
| **Restated balance at 1 July 2021 as restated** | 906 | (30) | (474) | 194 | (951) | (355) | (106) | (461) |
| Profit for the year | – | – | – | – | 140 | 140 | 5 | 145 |
| Other comprehensive income | – | – | (112) | 75 | – | (37) | (1) | (38) |
| **Total comprehensive income for the year** | – | – | (112) | 75 | 140 | 103 | 4 | 107 |
| Opening balance as previously reported | 906 | (30) | (586) | 269 | (798) | (239) | (102) | (341) |
| Prior year adjustments – CEO gratuity provision* | – | – | – | – | (13) | (13) | – | (13) |
| **Balance at 1 July 2022 as restated** | 906 | (30) | (586) | 269 | (811) | (252) | (102) | (354) |
| Profit for the year | **-** | **-** | **-** | **-** | **147** | **147** | **3** | **150** |
| Other comprehensive income | **-** | **-** | **(96)** | **43** | **-** | **(53)** | **-** | **(53)** |
| **Total comprehensive income for the year** | **-** | **-** | **(96)** | **43** | **147** | **94** | **3** | **97** |
| Issue of stated shares | **307** | **(2)** | **-** | **-** | **-** | **305** | **-** | **305** |
| Stated capital issue expenses | **(6)** | **-** | **-** | **-** | **-** | **(6)** | **-** | **(6)** |
| **Balance at 30 June 2023** | **1 207** | **(32)** | **(682)** | **312** | **(664)** | **141** | **(99)** | **42** |
| Note(s) | 26 | 27 | 29 | 28 | | | | |

** Refer to note 42*

| *Figures in Pula million* | Stated capital | Treasury shares | Foreign currency translation reserve | Hyper-inflationary translation reserve | Accu-mulated loss | Total attributable to equity holders of the Group/ Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | |
| **Balance at 1 July 2021** | 906 | – | – | – | (638) | 268 | – | 268 |
| Loss for the year | – | – | – | – | (30) | (30) | – | (30) |
| Other comprehensive income | – | – | – | – | – | – | – | – |
| **Total comprehensive loss for the year** | – | – | – | – | (30) | (30) | – | (30) |
| **Balance at 1 July 2022** | 906 | – | – | – | (668) | 238 | – | 238 |
| Loss for the year | **-** | **-** | **-** | **-** | **(3)** | **(3)** | **-** | **(3)** |
| Other comprehensive income | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **(3)** | **(3)** | **-** | **(3)** |
| Issue of stated shares | **307** | **-** | **-** | **-** | **-** | **307** | **-** | **307** |
| Stated capital issue expenses | **(6)** | **-** | **-** | **-** | **-** | **(6)** | **-** | **(6)** |
| **Balance at 30 June 2023** | **1 207** | **-** | **-** | **-** | **(671)** | **536** | **-** | **536** |
| Note(s) | 26 | 26 | 29 | | | | | |

# STATEMENT OF CASH FLOWS

for the year ended 30 June 2023

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula million* | Note(s) | **2023** | 2022 | **2023** | 2022 |
| **Cash flows from operating activities** | | | | | |
| Profit/(loss) before taxation | | **165** | 180 | **(3)** | (30) |
| **Adjustments for:** | | | | | |
| Depreciation and amortisation | 7 | **193** | 241 | **-** | – |
| (Losses)/profit on disposals of assets | 6 | **(4)** | 2 | **-** | – |
| Finance costs | 12 | **109** | 99 | **-** | – |
| Foreign exchange gains/(losses) on lease liability | | **31** | (28) | **-** | 30 |
| Restricted cash movements | | **-** | 5 | **-** | – |
| **Changes in working capital:** | | | | | |
| Movement in inventories | | **20** | (120) | **-** | – |
| Movement in trade and other receivables | | **(24)** | (10) | **-** | 4 |
| Movement in advances and deposits | | **(15)** | (12) | **-** | – |
| Movement in amount due from related entities | | **1** | 1 | **(300)** | – |
| Movement in amount due to related entities | | **(13)** | – | **-** | – |
| Movement in trade and other payables | | **70** | 149 | **5** | (4) |
| CEO gratuity relating to prior years* | | **(16)** | – | **-** | – |
| **Cash generated from/(used in) operations** | | **517** | 507 | **(298)** | – |
| Tax paid | | **(33)** | (44) | **-** | – |
| **Net cash from operating activities** | | **484** | 463 | **(298)** | – |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 15 | **(181)** | (120) | **-** | – |
| Proceeds on disposal of property, plant and equipment | | **13** | 7 | **-** | – |
| Purchase of other intangible assets | 18 | **(4)** | (2) | **-** | – |
| **Net cash from investing activities** | | **(172)** | (115) | **-** | – |
| **Cash flows from financing activities** | | | | | |
| Proceeds on share issue | 26 | **301** | – | **301** | – |
| Lease liabilities raised | 35 | **50** | 36 | **-** | – |
| Repayment of borrowings | 35 | **(132)** | (96) | **-** | – |
| Repayment of shareholders loans | 35 | **(113)** | – | **-** | – |
| Lease capital payments – right-of-use assets | 35 | **(177)** | (170) | **-** | – |
| Finance costs | 12 | **(109)** | (94) | **-** | – |
| **Net cash from financing activities** | | **(180)** | (324) | **301** | – |
| **Total cash movement for the year** | | **132** | 24 | **3** | – |
| Cash at the beginning of the year | | **17** | 6 | **-** | – |
| Effect of foreign currency translation on foreign currency balances | | **(6)** | (13) | **-** | – |
| **Total cash at the end of the year** | 25 | **143** | 17 | **3** | – |

** Refer to note 42.*

# ACCOUNTING POLICIES

for the year ended 30 June 2023

## CORPORATE INFORMATION

Choppies Enterprises Limited ("CEL, the Company") is a public limited company incorporated and domiciled in the Republic of Botswana and listed on the Botswana Stock Exchange. The Company has a secondary listing on the Johannesburg Stock Exchange. The Company registration number is BW00001142508. The consolidated and separate Annual Financial Statements comprise the Company and its subsidiaries (collectively referred to as "the Group").

The business of the Group is concentrated in the retail supermarket industry.

## 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated and separate Annual Financial Statements ("the Financial Statements") are prepared in accordance with the International Financial Reporting Standards ("IFRS"), the Botswana Companies Act, the Botswana Stock Exchange, the Johannesburg Stock Exchange requirements and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The Financial Statements were approved by the Board of directors on 20 September 2023.

### 1.1 Basis of preparation

The Group and Company Financial Statements are presented in Botswana Pula, which is also the functional currency of the Company and the presentation currency of the Group. All amounts have been rounded to nearest millions, except where otherwise stated.

Certain individual companies in the Group have different functional currencies and are translated on consolidation.

The Financial Statements are prepared on the historical cost basis, except for certain financial instruments which are measured at fair value and Zimbabwean operations translated on a current cost basis as required by IAS 29 *Financial Reporting in a Hyperinflationary Economies*. The Financial Statements incorporate the following accounting policies which are consistent with those applied in the previous year, except as otherwise indicated.

Judgements made by the Board in the application of IFRS that have a significant effect on the Financial Statements and estimates with a significant risk of material adjustment are discussed in significant judgements and sources of estimation uncertainty in note 1.25.

## 1.2 CONSOLIDATION

### Basis of consolidation

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Transaction costs are expressed as incurred except if it refers to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment (refer to note 17).

### Goodwill

All goodwill is acquired through business combinations and initially measured at fair value of the consideration transferred. The goodwill consists of the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to the individual cash-generating units and is tested annually for impairment. An impairment loss is recognised if the present value of the estimated future cash flows arising from the identified units is exceeded by the carrying amount of the assets and liabilities of the unit including goodwill or the fair value less the cost of disposal of the cash-generating unit exceeds the carrying amount of goodwill. An impairment loss is recognised in the statement of profit or loss in the year in which it is identified. An impairment loss in respect of goodwill is not reversed.

# ACCOUNTING POLICIES continued

for the year ended 30 June 2023

## 1.2 CONSOLIDATION continued

### Investment in subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Investments in subsidiaries are measured at cost less accumulated impairment losses in the Company Financial Statements.

### Transactions elimination on consolidation

Intragroup balances, and income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated Financial Statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### Non-controlling interest ("NCI")

NCIs are disclosed separately in the Group statement of financial position and statement of profit or loss and other comprehensive income. NCIs are viewed as equity participants of the Group and all transactions with NCIs are therefore accounted for as equity transactions and included in the Group statement of changes in equity.

NCIs are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### Changes in Group's interests in subsidiaries

Changes in the Group's interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

## 1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is initially measured at cost.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day-to-day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

## 1.3 PROPERTY, PLANT AND EQUIPMENT continued

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life in 2023 | Average useful life in 2022 and prior years |
|---|---|---|---|
| Leasehold improvements | Straight line | Over the lease term | Over the lease term |
| Plant and machinery | Straight line | 5 – 25 years | 4 – 20 years |
| Furniture and fixtures | Straight line | 10 – 14 years | 6 – 29 years |
| Motor vehicles | Straight line | 5 – 15 years | 4 – 5 years |
| Office equipment | Straight line | 5 – 15 years | 3 – 10 years |
| Aircraft | Straight line | 30 years | 20 years |
| Computer hardware and accessories | Straight line | 5 – 8 years | 4 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

During the financial year the Group reassessed useful lives by reference to actual usage and relative to our maintenance plans, which help extend useful lives. As a low cost retailer, we sweat our assets but perform regular maintenance to maintain high standards of customer service.

The impact on the current year depreciation is as follows:

| Depreciation expense at last year's rate | P91 million |
|---|---|
| Reassessment | (P51 million) |
| Depreciation expense for current year | P40 million |

The Group's depreciation expense will be impacted in future periods by similar amounts.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### Investments in new projects

Investments in new projects relates to capital expenditure incurred with regard to new stores to be opened in the following financial year. Investments in new projects is stated at cost. The amounts are transferred to respective asset classes when the assets are available for their intended use. Depreciation commences when the assets are ready for their intended use.

# ACCOUNTING POLICIES continued

for the year ended 30 June 2023

## 1.4 INTANGIBLE ASSETS

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale
- There is an intention to complete and use or sell it
- There is an ability to use or sell it
- It will generate probable future economic benefits
- There are available technical, financial and other resources to complete the development and to use or sell the asset
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer software | Straight line | 5 – 10 years |

## 1.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying values of non-financial assets (except for deferred tax assets and inventories) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash- generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For non-financial assets, such as goodwill, which have indefinite useful lives and are not subject to depreciation or amortisation, or that are not yet available for use, the recoverable amount is estimated at each reporting date.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decrease or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

## 1.6 LEASES

### Group as lessee

The Group considers whether a contract is, or contains a lease.

### Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or the profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets (BWP60 000) using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

### Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15, using relative standalone selling prices for the different components.

# ACCOUNTING POLICIES continued

for the year ended 30 June 2023

## 1.6 LEASES continued

### Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease. Operating lease income is included in other income (note 4).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

## 1.7 FINANCIAL INSTRUMENTS

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 *Financial Instruments*. Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets that are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

Financial liabilities:

- Amortised cost

Note 39 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

### Amounts due from related entities at amortised cost

#### Classification

Amounts due from related entities (note 24) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these amounts due from related parties give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these amounts.

#### Recognition and measurement

Amounts due from related parties are recognised when the Group becomes a party to the contractual provisions of the amounts due. Amounts due from related parties are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the amounts due from related parties initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

## 1.7 FINANCIAL INSTRUMENTS continued

### Impairment

A loss allowance is recognised for all amounts due from related entities, in accordance with IFRS 9 *Financial Instruments* by applying the simplified approach, and is monitored at the end of each reporting period. Amounts due from related entities are written off when there is no reasonable expectation of recovery, for example, when a related entity is placed or has been placed under liquidation. Amounts due from related entities that have been written off are not subject to enforcement activities.

### Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

### Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### Write-off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries/reversals made are recognised in the statement of profit or loss and other comprehensive income as a movement in credit loss allowance (note 7).

## 1.7 FINANCIAL INSTRUMENTS continued

### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty, etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and vice versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in material operating items requiring separate disclosure in profit or loss as a movement in credit loss allowance (note 7).

### Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 39).

### Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in impairment.

### Trade and other receivables

#### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 24).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

#### Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at transaction price in accordance with IFRS 15.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

## 1.7 FINANCIAL INSTRUMENTS continued

### Application of the effective interest method

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

### Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating expenses (note 6).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other receivables (note 24).

### Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

### Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 24.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in profit or loss as a movement in credit loss allowance (note 7).

### Write-off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

## 1.7 FINANCIAL INSTRUMENTS continued

### Credit risk

Details of credit risk are included in the trade and other receivables note (note 24) and the financial instruments and risk management note (note 39).

### Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss.

### Borrowings and loans from related parties

#### Classification

Amounts due to related entities (note 22) and borrowings (note 30) are classified as financial liabilities subsequently measured at amortised cost.

#### Recognition and measurement

Borrowings and loans from related parties are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 12).

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 39 for details of risk exposure and management thereof.

### Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

### Trade and other payables

#### Classification

Trade and other payables (note 34), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

#### Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

## 1.7 FINANCIAL INSTRUMENTS continued

### Trade and other payables continued

**Recognition and measurement** continued

If trade and other payables contain imputed interest, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 12).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 39 for details of risk exposure and management thereof.

### Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating (losses)/gains (note 6).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 39).

### Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of trade and other payables is included in profit or loss in impairment.

### Financial guarantee contracts

The Company has issued corporate guarantees to banks for banking facilities granted by them to certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms. Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with IFRS 15 *Revenue from contracts with customers*.

With reference to note 30, the Company provides financial guarantees to certain banks in respect of bank facilities granted to certain subsidiaries. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

As at the end of the financial year, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position as well as maximum exposure amounts relating to financial guarantee contracts.

Refer to note 36.1 for details of financial guarantee contracts.

### Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost which is deemed to be fair value.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts, which are repayable on demand and form any integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

## 1.7 FINANCIAL INSTRUMENTS continued

### Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### Derecognition

#### Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### Financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### Reclassification

#### Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

#### Financial liabilities

Financial liabilities are not reclassified.

## 1.8 INVENTORIES

Inventories comprise merchandise for resale and consumables. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated selling expenses.

The cost of inventories is based on the weighted average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition, including distribution costs, and is stated net of relevant purchase incentives. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

## 1.9 TAX AND DEFERRED TAXATION

### Deferred tax assets and liabilities

Deferred taxation is recognised for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Temporary differences related to investments in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

## 1.9 TAX AND DEFERRED TAXATION continued

**Deferred tax assets and liabilities** continued

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred taxation is recognised in the profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, (in which case it is recognised directly in equity or other comprehensive income) or a business combination. The effect on deferred tax of any changes in tax rates is recognised in the statement of profit or loss, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improve. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

### Tax expenses

Taxation comprises current and deferred taxation. Taxation is recognised in the profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income. Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, after taking account of income and expenditure, which is not subject to taxation, and any adjustment to tax payable/refundable in respect of previous years.

### Dividends withholding tax

Dividends withholding tax is a tax on shareholders and is applicable on all dividends declared. Withholding tax applicable in Botswana for both residents and non-residents is 10%. Dividends payable to non-exempt shareholders registered on the Johannesburg Stock Exchange are subject to 20% withholding tax in accordance with the South African Income Tax Act 58 of 1962, unless varied in accordance with any relevant Double Tax Agreement.

## 1.10 STATED CAPITAL AND EQUITY

Ordinary shares (with no par value) are classified as stated capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Ordinary shares are classified as equity.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of Financial Statements of the Group's foreign entities into Botswana Pula
- Retained (loss)/profit – includes all current and prior period retained (loss) profits
- Treasury shares – refer to accounting policy 1.11
- Hyperinflationary reserve – this is the effect of all components of shareholders equity that are restated by applying a general price index from the beginning period or dates on which those items arose.

## 1.11 TREASURY SHARES

The Group operates a share incentive scheme classified as treasury shares and these are presented as a deduction from equity. Dividend income on treasury shares are eliminated on consolidation.

## 1.12 EMPLOYEE BENEFITS

### Short-term employee benefits

The cost of all short-term employee benefits is recognised as an expense during the period in which the employee renders the related service. Employee entitlements to annual leave, bonuses, medical aid and housing benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by employees up to the reporting date.

### Severance benefits

Employees who are not members of an approved pension scheme or entitled to gratuities per their employee contracts, are entitled to severance benefits as regulated by the Botswana Labour Laws. An accrual is recognised for the estimated liability for services rendered by the employees up to reporting date, this is related to other long-term employee benefits.

### Gratuity

The Group operates a gratuity scheme for expatriates in terms of employment contracts and a gratuity is not considered to be a retirement benefit plan as the benefits are payable on completion of the employment contract period of continuous employment or on termination of employment at the option of the employee. The expected gratuity liability is provided in full by way of accrual.

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to approved defined contribution plans are recognised as personnel expenses in the profit or loss in the periods during which the related services were rendered.

## 1.13 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue arises mainly from the sale of goods. Revenue is measured based on the transaction price specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or goods to a customer, generally upon the customer collecting the goods.

To determine whether to recognise revenue, the Group follows a five-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Company's products and goods, for example for the sale of consumer goods. In all cases, the total transaction price for a contract is allocated among the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods to its customers. The Group does not consider the financing component since the transfer of goods and related payments are not more than 12 months apart.

## 1.14 TRANSLATION OF FOREIGN CURRENCIES

### Transactions in foreign currencies

Transactions in foreign currencies are translated to Botswana Pula at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities designated in foreign currencies are subsequently translated to Botswana Pula at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities are consistently translated at rates of exchange ruling at acquisition dates. Foreign exchange differences arising on translation are recognised in the profit or loss.

### Foreign operations

The assets and liabilities of foreign operations, which are not entities operating in a hyperinflationary economy, including goodwill and fair value adjustments arising on acquisition, are translated at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at the weighted average rate of exchange for the year, except to the extent that the translation differences are allocated to NCI. Profits or losses arising on the translation of assets and liabilities of foreign entities are recognised in other comprehensive income and presented within equity and shown separately in a foreign currency translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the statement of profit or loss as part of the gain or loss on disposal.

## 1.15 DETERMINATION OF FUNCTIONAL CURRENCY IN ZIMBABWE

The fiscal and monetary policy pronouncements made in October 2018 led to the directors' reassessment of the functional currency of the Group's Zimbabwe operations and a justification to conclude that, under IAS 21 Effects of Changes in Foreign Exchange Rates, there was a change in the functional currency from the United States Dollar to the Zimbabwe Dollar. The results of the Zimbabwe operations are translated at the closing rate on 30 June 2023 as per IAS 21 paragraph 42(a).

Items included in the Financial Statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the Zimbabwean subsidiary is the Zimbabwean Dollar ("ZWL$") which became legal tender on 24 June 2019. The Group has concluded that the functional currency of the Zimbabwean economy remains the Zimbabwean Dollar ("ZWL$"). During the year, the Group noted that there was still constrained exchangeability between the Zimbabwe Dollar ("ZWL$") and the major foreign currencies such as the United States Dollar ("US$") and the Botswana Pula ("BWP"). A lack of or constrained exchangeability arises if an entity is unable to readily exchange a currency for another currency through the legal exchange mechanism within a reasonably short period of time. In order to address the lack of exchangeability of the ZWL$ towards major currencies, on 23 June 2020, the Reserve Bank of Zimbabwe introduced a market-based foreign exchange trading platform in the form of a foreign currency auction system in order to bring transparency and efficiency in the trading of foreign currency in the Zimbabwean economy. The Company has managed to submit bids on the foreign exchange auction and was successful in some of them leading the directors to decide that the published weighted average closing auction foreign exchange rate is appropriate for the translation of the results of operations of the Zimbabwean Subsidiary.

## 1.15 DETERMINATION OF FUNCTIONAL CURRENCY IN ZIMBABWE continued

### Accounting for hyperinflationary subsidiary

The Zimbabwean economy has continued to be hyperinflationary and the results of operations of the Zimbabwean subsidiary has been prepared in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date and the corresponding figures for the previous periods be stated in the same terms to the latest reporting date. The restatement has been calculated by means of conversion factors derived from month on month consumer price index ("CPI") prepared by the Zimbabwe Statistical Agency for the period to January 2023.

From February 2023, the government of Zimbabwe through Statutory instrument 27 of 2023, legislated the publication of blended CPI rates which took into account general price changes in both the US$ currency and the ZW$ currency. In order to comply with International Accounting Standard ("IAS") – *Financial Reporting in Hyperinflationary Economies* in the preparation of its consolidated Financial Statements, the Group estimated and applied inflation rates for the period February to June 2023 based on the Total Consumption Poverty Line ("TCPL") published by ZIMSTAT. TCPL represents the total income needed for an individual as a minimum for them not to be deemed poor. TCPL is considered appropriate as the baskets of goods and services includes items regularly sold by Choppies and therefore it is an appropriate estimation. The estimation of the consumer price index is permitted by IAS 29 where a general consumer price index is not readily available. The indices and conversion factors used to restate the Financial Statements as at 30 June 2023 are as follows:

| Date | Indices | Conversion factor |
|---|---|---|
| 30 June 2023 | 4 6077.70 | 1.00 |
| 30 June 2022 | 8 707.40 | 5.291 |

### Sensitivity of functional currency

The Group translated the Zimbabwe results by applying the closing exchange rate as at 30 June 2023 specified by Reserve Bank of Zimbabwe, which was BWP1.00:ZWL424.74 (2022: ZWL29.45) (in line with the requirement of the provision of IAS 21 for the translation of hyperinflationary economies). The effect if the Group had applied a weaker closing exchange rate to translate the result of its Zimbabwean subsidiary on 30 June 2023, is presented in the table below. We assumed that the closing exchange rate was weaker by ZWL1.00.

| Summarised statement of profit or loss and other comprehensive income for the year ended 30 June 2023 | ZWL to BWP at closing rate | ZWL to BWP at closing rate plus ZWL1.00 | Net impact |
|---|---|---|---|
| Revenue | 401 | 400 | 1 |
| Loss after tax | (8) | 8 | – |

### Plant and equipment

The original cost of plant and equipment is restated from the date of purchase of each item to the reporting date using the applicable general price index. The depreciation charge for the current period is calculated on the basis of the restated plant and equipment. Opening accumulated depreciation is also calculated on the basis of the restated plant and equipment.

Additions to plant and equipment are restated using the relevant conversion factors from the date of the transaction to the reporting date. For disposals, the original date of purchase and the historical cost is determined and the restated balance is deducted from the plant and equipment. There are no plant and equipment purchased prior to the financial year 2009.

The restated plant and equipment are assessed for impairment of assets in accordance with IAS 36.

## 1.15 DETERMINATION OF FUNCTIONAL CURRENCY IN ZIMBABWE continued

**Inventories**

Inventories are restated based on the ageing of the items using the increase in the general price index for the period from purchase dates to the reporting date.

All items in the statement of profit or loss and other comprehensive income are restated by applying the relevant monthly conversion factors.

**Shareholders' equity**

All components of shareholders equity are restated by applying a general price index from the beginning period or dates on which those items arose. Current year restated net income is added to the balance of restated opening retained earnings.

Comparative Financial Statements are restated by applying the general price index in terms of the measuring unit at the reporting date.

The effect of inflation on the net monetary position is included in the statement of profit or loss and other comprehensive income as a monetary gain or loss on the monetary position.

All items in the statement of cash flow are expressed in terms of the measuring unit current at the reporting date.

## 1.16 OPERATING EXPENSES

Operating expenses are recognised in the profit or loss upon utilisation of the service or as incurred.

## 1.17 DEFERRED TAX

Commission from rendering of financial services and agency services is recognised over time as the services are provided in accordance with the terms of the agency agreement and is included in other income.

## 1.18 DIVIDEND INCOME

Dividend income is recognised when the Group's right to receive payment is established. This is on the "last day to trade" for listed shares, and on the "date of declaration" for unlisted shares.

## 1.19 REBATES FROM SUPPLIERS

Consistent with standard industry practice, the Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts are received in connection with the purchase of goods for resale from those suppliers. Most of the income received from suppliers relates to adjustments to a core cost price of a product, and as such is considered part of the purchase price for that product. Sometimes receipt of the income is conditional on the Group performing specified actions or satisfying certain performance conditions associated with the purchase of the product. These include achieving agreed purchases or sales volume targets and providing promotional or marketing materials and activities or promotional product positioning.

Rebates from suppliers is recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories.

Amounts due relating to rebates from suppliers are recognised within trade and other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognised. Accrued rebates are recognised within accrued income when rebates earned have not been invoiced at reporting date.

## 1.20 FINANCE INCOME

Interest income is recognised as it accrues in the profit or loss using the effective interest method.

## 1.21 FINANCE COST

Interest cost is recognised in the profit or loss in the period in which these expenses are incurred using the effective interest method.

## 1.22 OPERATING SEGMENTS

The Group discloses segmental financial information, which is being used internally by the entity's Chief Executive Officer ("CEO") in order to assess performance and allocate resources. Operating segments are individual components of an entity that engage in business activities from which it may earn revenues and incur expenses, and whose operating results are regularly reviewed by the entity's CEO and for which discrete financial information is available. Operating segments, per geographical regions, are aggregated for reporting purposes. The aggregated businesses in each region have similar economic characteristics. They engaged in similar activities of retail trade.

## 1.23 DIVIDEND PER SHARE

Dividends per share are calculated based on the dividends declared during the year compared to the number of ordinary shares in issue at the time of declaration.

## 1.24 BASIC EARNINGS AND HEADLINE EARNINGS PER SHARE

The Group presents basic and diluted earnings per share ("EPS") and headline earnings per share ("HEPS") information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss after taxation attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss after taxation attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Headline earnings are calculated in accordance with Circular 1/2021 issued by the South African Institute of Chartered Accountants as required by the Johannesburg Stock Exchange Listings Requirements.

## 1.25 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated and separate Annual Financial Statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### Key sources of estimation uncertainty

#### Impairment of trade receivables

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period (refer to note 24).

#### Allowance for slow moving, damaged and obsolete inventory

The Group assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales note 5.

## 1.25 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

continued

### Fair value estimation

Several assets and liabilities of the Group are either measured at fair value or disclosure is made of their fair values.

The carrying value of trade receivables (less expected credit losses) and trade payables are assumed to approximate their fair values. Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 39.

### Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, the Company determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash-generating unit to which the asset belongs.

### Useful lives of property, plant and equipment

The Group assesses the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of buildings, plant and equipment, office equipment, furniture and fixtures, motor vehicles, IT equipment, leasehold improvements and aircraft are determined based on Group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful lives of property, plant and equipment is assessed annually based on a combination of comparison to industry, assessment of operational plans and strategies, actual experience and taking cognisance of advice from external experts.

### Restricted cash

We no longer consider cash deposits relating to the Zimbabwe operations as restricted as we are able to expatriate funds to Botswana.

### Business combinations

The Group uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquiree's future profitability.

### Use of adjusted measures

Adjusted EBITDA in the operating segmental information is EBITDA excluding foreign exchange rate differences on IFRS 16 *Lease liabilities*, profit or loss on sale of assets, reassessment adjustment for depreciation, Zimbabwean legacy debt receipts (see note 11) as well as income or expenditure of a capital nature.

The Adjusted EBITDA measure is shown as management believes them to be relevant to the understanding of the Group's financial performance. This measure is used for internal performance analysis and provides additional useful information on underlying trends to equity holders. This measure is not a defined term under IFRS and may therefore not be comparable with similarly titled measures reported by other entities. It is not intended to be a substitute for, or superior to, measures as required by IFRS.

# OPERATING SEGMENT INFORMATION

for the year ended 30 June 2023

## 2. SEGMENT RESULTS

Operating segments are identified based on financial information regularly reviewed by the Choppies Enterprises Limited Chief Executive Officer (identified as the Chief Operating Decision-maker of the Group for IFRS 8 *Reporting purposes*) for performance assessments and resource allocations.

The Group has four continuing operating segments (2022: four) as described below, which are the Group's strategic divisions. Operating segments are disclosed by geographical regions.

Performance is measured based on EBITDA, Adjusted EBITDA and Adjusted EBIT as the Board believes that such information is the most relevant in evaluating the results of the segments against each other and other entities which operate within the retail industry.

Botswana – retail of fast-moving consumer goods in Botswana.

Rest of Africa – retail of fast-moving consumer goods in Namibia, Zambia and Zimbabwe.

### 30 June 2023

| | | Rest of Africa comprises of Namibia, Zambia and Zimbabwe | | | | |
|---|---|---|---|---|---|---|
| *Figures in Pula million* | **Botswana** | **Rest of Africa** | **Namibia** | **Zambia** | **Zimbabwe** | **Total Group** |
| **Statement of profit or loss and other comprehensive income** | | | | | | |
| Revenue | **4 499** | **1 987** | **443** | **1 141** | **403** | **6 486** |
| Retail sales | **4 459** | **1 974** | **440** | **1 133** | **401** | **6 433** |
| **Adjusted EBITDA** | **405** | **84** | **12** | **75** | **(3)** | **489** |
| Loss on disposal of plant and equipment | **4** | **-** | **-** | **-** | **-** | **4** |
| Movement in credit loss allowance | **(6)** | **-** | **-** | **-** | **-** | **(6)** |
| Foreign exchange gains/(losses) on lease liability | **-** | **(31)** | **-** | **(11)** | **(20)** | **(31)** |
| Foreign exchange gains on Zimbabwean legacy debt receipts | **-** | **11** | **-** | **-** | **11** | **11** |
| **EBITDA** | **403** | **64** | **12** | **64** | **(12)** | **467** |
| Depreciation and amortisation | **(145)** | **(48)** | **(14)** | **(30)** | **(4)** | **(193)** |
| **Operating profit/(loss) (EBIT)** | **258** | **16** | **(2)** | **34** | **(16)** | **274** |
| Depreciation reassessment (refer to note 1.3) | **(39)** | **(12)** | **(4)** | **(8)** | **-** | **(51)** |
| Adjustments as above* | **2** | **20** | **-** | **11** | **9** | **22** |
| **Adjusted EBIT** | **221** | **24** | **(6)** | **37** | **(7)** | **245** |
| **Statement of financial position** | | | | | | |
| Assets | **1 510** | **667** | **201** | **344** | **122** | **2 177** |
| Liabilities | **1 656** | **479** | **133** | **270** | **76** | **2 135** |

* *Adjusted EBITDA and adjusted EBIT in the operating segmental information is EBITDA and EBIT excluding foreign exchange rate differences on IFRS 16* Lease liabilities*, profit or loss on sale of assets, reassessment adjustment for depreciation, Zimbabwean legacy debt receipts (see note 11) as well as income or expenditure of a capital nature.*

## 30 June 2022

| *Figures in Pula million* | Botswana | Rest of Africa | Namibia | Zambia | Zimbabwe | Total Group |
|---|---|---|---|---|---|---|
| | | | Rest of Africa comprises of Namibia, Zambia and Zimbabwe | | | |
| **Statement of profit or loss and other comprehensive income** | | | | | | |
| Revenue | 4 254 | 1 843 | 276 | 786 | 781 | 6 097 |
| Retail sales | 4 209 | 1 833 | 275 | 783 | 775 | 6 042 |
| **Adjusted EBITDA** | 405 | 101 | 5 | 59 | 37 | 506 |
| Movement in credit loss allowance | (2) | (5) | – | – | (5) | (7) |
| Loss on disposal of plant and equipment | (2) | – | – | – | – | (2) |
| Foreign exchange gains/(losses) on lease liability | – | 28 | – | 28 | – | 28 |
| Losses relating to South African operations | (20) | – | – | – | – | (20) |
| Foreign exchange gains on Zimbabwean legacy debt | – | 15 | – | – | 15 | 15 |
| **EBITDA** | 381 | 139 | 5 | 87 | 47 | 520 |
| Depreciation and amortisation | (190) | (51) | (14) | (21) | (16) | (241) |
| **Operating profit/(loss) (EBIT)** | 191 | 88 | (9) | 66 | 31 | 279 |
| Adjustments as above | (24) | 38 | – | 28 | 10 | 14 |
| **Adjusted EBIT** | 215 | 50 | (9) | 38 | 21 | 265 |
| **Statement of financial position** | | | | | | |
| Assets | 1 223 | 663 | 141 | 260 | 262 | 1 886 |
| Liabilities | 1 121 | 1 106 | 200 | 394 | 512 | 2 227 |

# NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

## 3. NEW STANDARDS AND INTERPRETATIONS

### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • Reference to the Conceptual Framework: Amendments to IFRS 3 | 1 January 2022 | The impact of the amendments is not material. |
| • Annual Improvement to IFRS Standards 2018–2020: Amendments to IFRS 9 | 1 January 2022 | The impact of the amendments is not material. |
| • Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16 | 1 January 2022 | The impact of the amendments is not material. |
| • Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37 | 1 January 2022 | The impact of the amendments is not material. |

### 3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2023 or later periods but are not relevant to its operations:

| Standard/Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* | 1 January 2024 | Unlikely there will be a material impact |
| • Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) | 1 January 2024 | Unlikely there will be a material impact |
| • IAS 1 *Presentation of Financial Statements – Classification of Long-term Debt Affected by Covenants* | 1 January 2024 | Unlikely there will be a material impact |
| • Amendments to IAS 21 *The effects of changes in foreign exchange rates – Lack of exchangeability* | 1 January 2025 | Impact is currently being assessed |
| • Lease liability in a sale and leaseback | 1 January 2024 | Unlikely there will be a material impact |
| • Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 | 1 January 2023 | Unlikely there will be a material impact |
| • Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2 | 1 January 2023 | Unlikely there will be a material impact |
| • Definition of accounting estimates: Amendments to IAS 8 | 1 January 2023 | Unlikely there will be a material impact |
| • Classification of Liabilities as Current or Non-current – Amendment to IAS 1 | 1 January 2024 | Unlikely there will be a material impact |

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **4. REVENUE** | | | | |
| **Revenue from contracts with customers** | | | | |
| Sale of goods | **6 433** | 6 042 | **–** | – |
| **Revenue other than from contracts with customers** | | | | |
| Commission received on financial services | **31** | 32 | **–** | – |
| Rental income | **3** | 4 | **–** | – |
| Transportation income | **12** | 11 | **–** | – |
| Miscellaneous income | **7** | 3 | **–** | – |
| Effect of hyperinflation accounting | **–** | 5 | **–** | – |
| | **53** | 55 | **–** | – |
| | **6 486** | 6 097 | **–** | – |
| **Disaggregation of revenue from contracts with customers by segment** | | | | |
| The Group disaggregates revenue from customers as follows: | | | | |
| **Sale of goods** | | | | |
| Botswana | **4 459** | 4 209 | **–** | – |
| Namibia | **440** | 275 | **–** | – |
| Zambia | **1 133** | 783 | **–** | – |
| Zimbabwe | **401** | 775 | **–** | – |
| | **6 433** | 6 042 | **–** | – |
| **5. COST OF SALES** | | | | |
| Sale of goods | **5 074** | 4 735 | **–** | – |

Sale of goods include foreign exchange losses of BWP8 million (2022: gain BWP2 million)

| | | | | |
|---|---|---|---|---|
| **6. OTHER OPERATING GAINS/(LOSSES)** | | | | |
| **Losses on disposals** | | | | |
| Property, plant and equipment | **4** | (2) | **–** | – |

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **7. OPERATING PROFIT/(LOSS)** | | | | |
| Operating profit/(loss) for the year is stated after charging (crediting) the following, among others: | | | | |
| **Auditor's remuneration – external** | | | | |
| Audit fees | **6** | 8 | **–** | – |
| **Consulting and professional fees** | | | | |
| Consulting and professional service fees | **13** | 14 | **2** | – |
| Legal fees | **4** | 1 | **1** | – |
| | **17** | 15 | **3** | – |
| **Employee costs** | | | | |
| Basic | **414** | 377 | **–** | – |
| Retirement benefit plans | **12** | 12 | **–** | – |
| Share-based payments | **–** | 1 | **–** | – |
| **Total employee costs** | **426** | 390 | **–** | – |
| **Leases** | | | | |
| Variable lease payments | **2** | 8 | **–** | – |
| Gain on rental concession | **(4)** | (9) | **–** | – |
| | **(2)** | (1) | **–** | – |
| **Depreciation and amortisation** | | | | |
| Depreciation of property, plant and equipment | **39** | 84 | **–** | – |
| Depreciation of right-of-use assets | **153** | 154 | **–** | – |
| Amortisation of intangible assets | **1** | 3 | **–** | – |
| **Total depreciation and amortisation** | **193** | 241 | **–** | – |
| **Movement in credit loss allowances** | | | | |
| Trade and other receivables | **6** | 7 | **–** | 30 |
| **Foreign exchange (losses)/gains** | | | | |
| Foreign exchange (losses)/gains | **(31)** | 28 | **–** | – |

These (losses)/gains relate to lease liabilities that are US Dollar denominated and are valued at the spot rate at the reporting period resulting in a loss or gain.

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **8. ADMINISTRATION EXPENSES** | | | | |
| Auditors remuneration | **6** | 8 | **–** | – |
| Bank charges | **47** | 49 | **–** | – |
| Computer expenses | **28** | 25 | **–** | – |
| Consulting and professional fees | **13** | 14 | **2** | – |
| Depreciation of right-of-use assets | **153** | 154 | **–** | – |
| Donations | **2** | 1 | **–** | – |
| Electricity and water charges | **119** | 109 | **–** | – |
| Employee costs | **426** | 390 | **–** | – |
| Effect of hyperinflation accounting | **51** | (25) | **–** | – |
| Insurance | **18** | 16 | **–** | – |
| Legal fees | **4** | 1 | **1** | – |
| Motor vehicle expenses | **44** | 35 | **–** | – |
| Other expenses | **31** | 23 | **–** | – |
| Security | **38** | 35 | **–** | – |
| Gain on rental concession | **(4)** | (9) | **–** | – |
| Variable lease payments | **2** | 8 | **–** | – |
| | **978** | 834 | **3** | – |

| Figures in Pula million | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **9. SELLING AND DISTRIBUTION EXPENSES** | | | | |
| Advertising | **26** | 20 | **-** | – |
| Effect of hyperinflation accounting | **(13)** | 10 | **-** | – |
| Travel and accommodation | **6** | 5 | **-** | – |
| Other | **3** | – | **-** | – |
| | **22** | 35 | **-** | – |
| **10. OTHER EXPENSES** | | | | |
| Amortisation | **1** | 3 | **-** | – |
| Depreciation | **39** | 84 | **-** | – |
| Effect of hyperinflation accounting | **19** | 83 | **-** | – |
| Repairs and maintenance | **56** | 50 | **-** | – |
| | **115** | 220 | **-** | – |
| **11. FOREIGN EXCHANGE GAINS ON ZIMBABWEAN LEGACY DEBT RECEIPTS** | | | | |
| Foreign exchange gains on Zimbabwean legacy debt receipts | **18** | 15 | **-** | – |

In February 2009, the Government of Zimbabwe introduced the multicurrency system which had the United States Dollar ("US$") as its base currency. As time progressed, the Zimbabwe economy started experiencing foreign currency shortages on the market as there was an increase in the use of electronic settlement platforms namely, real-time gross settlement ("RTGS") platforms. A monetary policy measure introduced in October 2018 directing the separation of foreign currency accounts ("FCAs") into two categories namely RTGS FCA and Nostro FCA at a parity rate of 1:1.

The Government of Zimbabwe, through another policy measure, issued Statutory Instrument 33 ("SI 33 of 2019") which introduced the RTGS Dollar which physical denominations in bond notes and coins at a base rate of US$1: ZWL$2.5. The introduction of the currency and its addition to the multicurrency basket brought about the interbank market which was to function on a willing buyer, willing seller basis. The enacting instrument gave a legal requirement for accounting treatment of local assets and liabilities denominated in United States Dollars ("US$") to be transferred to Zimbabwe Dollars ("ZWL$") at parity.

One of the safeguards introduced by the Monetary Policy Statement in order to maintain stability in the Zimbabwean foreign currency market was that all foreign liabilities or legacy debts due to suppliers and service providers, as well as declared dividends, would be treated separately. These foreign liabilities or legacy debts transactions would be registered with the Reserve Bank of Zimbabwe Exchange Control Division for the purposes of providing the Reserve Bank sufficient information to determine the roadmap to expunge them in an orderly manner. In order to operationalise the Monetary Policy Statement, the Reserve Bank issued Exchange Control Directive RU28/2019 which provided the Blocked Funds Framework that contained guidelines to be followed in the registration of foreign liabilities or legacy debts. Exchange Control Directive RU102/2019 published in September directed banking institutions to transfer all RTGS$ balances in relation to registered legacy debts to the Reserve Bank.

In 2021, the Government of Zimbabwe assumed the obligation to settle these Blocked Funds in terms of Part XIII of the Finance Act No. 7 of 2021. The Group proceeded to transfer the ZWL equivalent of the legacy debt at a rate of US$/ZWL1:1 to the RBZ as per requirement of the Exchange Control Directive RU28 of 2019 amounting to ZWL$29 624 114.07. In this regard, the Group received communication from the Reserve Bank of Zimbabwe dated 4 May 2022 to the effect that an amount of US$29 624 114.07 had been successfully registered with the Bank's Exchange Control division as blocked funds to be paid in instalments of US$125 000 per week until it has been paid in full, which is expected to be August 2027.

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **12. FINANCE COSTS** | | | | |
| Shareholders loans | **7** | 6 | **–** | – |
| Lease liabilities | **61** | 56 | **–** | – |
| Bank overdraft | **41** | 37 | **–** | – |
| **Total finance costs** | **109** | 99 | **–** | – |
| **13. TAXATION** | | | | |
| **Major components of the tax expense** | | | | |
| **Current** | | | | |
| Income tax – current period | **30** | 38 | **–** | – |
| Income tax – prior period | **8** | – | **–** | – |
| | **38** | 38 | **–** | – |
| **Deferred** | | | | |
| Originating and reversing temporary differences | **(23)** | (3) | **–** | – |
| | **15** | 35 | **–** | – |
| **Reconciliation of the tax expense** | | | | |
| Reconciliation between accounting profit and tax expense. | | | | |
| Accounting profit/(loss) | **165** | 180 | **(3)** | (30) |
| Tax at the applicable tax rate of 22% (2022: 22%) | **36** | 40 | **(1)** | (7) |
| **Tax effect of adjustments on taxable income** | | | | |
| Unrecognised deferred tax asset | **(4)** | (15) | **–** | – |
| Deferred tax asset raised | **(26)** | – | **–** | – |
| Prior period income tax | **8** | – | **–** | – |
| Disallowed expenses | **7** | 4 | **1** | 7 |
| Effects of different tax rates | **(6)** | 6 | **–** | – |
| Relating to CEO gratuity | **3** | – | **–** | – |
| Transferred to retained loss at 30 June 2021 | **(3)** | – | **–** | – |
| | **15** | 35 | **–** | – |

The tax losses carried forward for certain subsidiaries are P260 million (2022: P225 million) which can be claimed by these subsidiaries to reduce future tax payments. These losses cannot be offset across different legal entities and can be carried forward no longer than five years.

| The tax losses carried forward per expiry date are as follows: | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| 2023 | **30** | – | **–** | – |
| 2022 | **16** | 16 | **–** | – |
| 2021 | **86** | 86 | **–** | – |
| 2020 | **77** | 77 | **–** | – |
| 2019 | **51** | 51 | **–** | – |
| 2019 and prior | **–** | 25 | **–** | – |
| | **260** | 255 | **–** | – |

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **14. EARNINGS PER SHARE** | | | | |
| Basic and diluted earnings per share – Thebe | **10.9** | 10.4* | **–** | – |
| Profit/(loss) for the year attributable to equity holders of the parent | **147** | 140 | **(3)** | (30) |

**Headline earnings and diluted headline earnings per share**

The calculation of headline earnings and diluted headline earnings per share is based on the weighted average number of ordinary shares in issue during the year.

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| Headline earnings and diluted headline earnings per share – Thebe | **11.1** | 12.0* | **–** | – |

* *The previous year's basic earnings and diluted earnings have been restated to account for the adjusted weighted average number of shares as a result of the rights offer as detailed in note 26.*

**Headline earnings reconciliation**

| Group | 2023 Gross | 2023 Income tax effect | 2023 Net | 2022 Gross | 2022 Income tax effect | 2022 Net |
|---|---|---|---|---|---|---|
| Profit for the year attributable to owners of the Company | | | **147** | | | 140 |
| **Re-measurement:** | | | | | | |
| (Profit)/loss of disposal of property, plant and equipment | **(4)** | **1** | **(3)** | 2 | – | 2 |
| Contingent consideration on sale of South African operations | **–** | **–** | **–** | 20 | – | 20 |
| Impairment losses | **6** | **(1)** | **5** | | | |
| **Headline earnings/(loss)** | | | **149** | | | 162 |

**Adjusted for:**

**Reconciliation of weighted average number of ordinary shares used for earnings per share to weighted average number of ordinary shares used for diluted earnings per share**

| | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| Weighted average number of ordinary shares used for basic earnings per share – '000 | **1 344 959** | 1 342 319* | **–** | – |

* *2022 restated for the rights offer as detailed in note 26.*

## 15. PROPERTY, PLANT AND EQUIPMENT

| Group | 2023 Cost | 2023 Accumulated depreciation | 2023 Carrying value | 2022 Cost | 2022 Accumulated depreciation | 2022 Carrying value |
|---|---|---|---|---|---|---|
| Leasehold improvements | **72** | **(21)** | **51** | 57 | (23) | 34 |
| Plant and machinery | **609** | **(332)** | **277** | 603 | (350) | 253 |
| Furniture and fixtures | **185** | **(123)** | **62** | 189 | (131) | 58 |
| Motor vehicles | **235** | **(95)** | **140** | 208 | (116) | 92 |
| Office equipment | **109** | **(81)** | **28** | 107 | (80) | 27 |
| Computer hardware and accessories | **152** | **(113)** | **39** | 149 | (110) | 39 |
| Aircraft | **58** | **(23)** | **35** | 58 | (23) | 35 |
| **Total** | **1 420** | **(788)** | **632** | 1 371 | (833) | 538 |

## 15. PROPERTY, PLANT AND EQUIPMENT continued

### Reconciliation of property, plant and equipment – Group – 2023

| | Leasehold improvements | Plant and machinery | Furniture and fixtures | Motor vehicles | Office equipment | Computer and hardware accessories | Aircraft | Total |
|---|---|---|---|---|---|---|---|---|
| **Opening balance** | | | | | | | | |
| Cost | 57 | 603 | 189 | 208 | 107 | 149 | 58 | 1 371 |
| Accumulated depreciation and impairment | (23) | (350) | (131) | (116) | (80) | (110) | (23) | (833) |
| **Net book value at 1 July 2022** | 34 | 253 | 58 | 92 | 27 | 39 | 35 | 538 |
| Additions | 25 | 57 | 13 | 69 | 2 | 15 | – | 181 |
| Disposals and scrappings – cost | – | (10) | (5) | (37) | (1) | (4) | – | (57) |
| Disposals and scrappings – accumulated depreciation | – | 10 | 5 | 27 | 1 | 4 | – | 47 |
| Hyperinflation – cost | 5 | 14 | 4 | 2 | 1 | 3 | – | 29 |
| Hyperinflation – accumulated depreciation | (3) | (11) | (3) | (2) | (1) | (2) | – | (22) |
| Foreign exchange movements – cost | (15) | (55) | (16) | (7) | – | (11) | – | (104) |
| Foreign exchange movements – accumulated depreciation | 7 | 36 | 10 | 6 | – | 1 | – | 60 |
| Depreciation | (2) | (17) | (4) | (10) | (1) | (6) | – | (40) |
| **Net book value at 30 June 2023** | 51 | 277 | 62 | 140 | 28 | 39 | 35 | 632 |
| **Made up as follows:** | | | | | | | | |
| Cost | 72 | 609 | 185 | 235 | 109 | 152 | 58 | 1 420 |
| Accumulated depreciation and impairment | (21) | (332) | (123) | (95) | (81) | (113) | (23) | (788) |
| | 51 | 277 | 62 | 140 | 28 | 39 | 35 | 632 |

## Reconciliation of property, plant and equipment – Group – 2022

| | Leasehold improvements | Plant and machinery | Furniture and fixtures | Motor vehicles | Office equipment | Computer and hardware accessories | Aircraft | Total |
|---|---|---|---|---|---|---|---|---|
| **Opening balance** | | | | | | | | |
| Cost | 54 | 554 | 184 | 199 | 107 | 127 | 58 | 1 283 |
| Accumulated depreciation and impairment | (20) | (316) | (116) | (123) | (73) | (106) | (22) | (776) |
| **Net book value at 1 July 2021** | 34 | 238 | 68 | 76 | 34 | 21 | 36 | 507 |
| Additions | 3 | 34 | 12 | 48 | – | 23 | – | 120 |
| Disposals and scrappings – cost | – | – | – | (31) | – | – | – | (31) |
| Disposals and scrappings – accumulated depreciation | – | – | – | 22 | – | – | – | 22 |
| Hyperinflation – cost | 12 | 31 | 6 | (2) | – | 5 | – | 52 |
| Hyperinflation – accumulated depreciation | (5) | (18) | (7) | (4) | – | 3 | – | (31) |
| Foreign exchange movements – cost | (12) | (16) | (13) | (6) | – | (6) | – | (53) |
| Foreign exchange movements – accumulated depreciation | 5 | 20 | 4 | 5 | – | 4 | – | 38 |
| Depreciation | (3) | (36) | (12) | (16) | (7) | (11) | (1) | (86) |
| **Net book value at 30 June 2022** | 34 | 253 | 58 | 92 | 27 | 39 | 35 | 538 |
| **Made up as follows:** | | | | | | | | |
| Cost | 57 | 603 | 189 | 208 | 107 | 149 | 58 | 1 371 |
| Accumulated depreciation and impairment | (23) | (350) | (131) | (116) | (80) | (110) | (23) | (833) |
| | 34 | 253 | 58 | 92 | 27 | 39 | 35 | 538 |

## 15. PROPERTY, PLANT AND EQUIPMENT continued

### Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings note 30:
The Group entered into a Loan Facilities Agreement during the 2021 reporting period which was secured by a cross-company guarantee issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP636 million issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date, BWP446 million (2022: BWP516 million) of these facilities were utilised. Refer to notes 25 and 30 for further disclosure of the facilities.

### Impairment and reversal of impairment

During the current year no impairment indicators were identified relating to buildings and plant and machinery. There is no impairment for the period under review for buildings (2022: P Nil) and plant and machinery P Nil (2022: P Nil).

## 16. RIGHT-OF-USE ASSETS

| Group | 2023 Cost | 2023 Accumulated depreciation | 2023 Carrying value | 2022 Cost | 2022 Accumulated depreciation | 2022 Carrying value |
|---|---|---|---|---|---|---|
| Right-of-use – buildings | **1 219** | **(584)** | **635** | 1 046 | (449) | 597 |

### Reconciliation of right-of-use asset

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula million* | **2023** | 2022 | **2023** | 2022 |
| | **1 046** | 902 | **–** | – |
| | **(449)** | (322) | **–** | – |
| Net book value at 1 July | **597** | 580 | **–** | – |
| Additions | **237** | 162 | **–** | – |
| Foreign exchange movements – cost | **(81)** | (6) | **–** | – |
| Foreign exchange movements – accumulated depreciation | **17** | (6) | **–** | – |
| Effects of hyperinflation – cost | **17** | 34 | **–** | – |
| Effects of hyperinflation – accumulated depreciation | **(2)** | (12) | **–** | – |
| Depreciation | **(150)** | (155) | **–** | – |
| | **635** | 597 | **–** | – |
| **Comprising of:** | | | | |
| Cost | **1 219** | 1 046 | **–** | – |
| Accumulated depreciation | **(584)** | (449) | **–** | – |
| | **635** | 597 | **–** | – |
| **Other disclosures** | | | | |
| Interest expense on lease liabilities | **61** | 56 | **–** | – |
| Gain on rental concession | **(4)** | (9) | **–** | – |
| Variable lease payments | **10** | 8 | **–** | – |

## 17. GOODWILL

| Group | 2023 Cost | 2023 Accumulated depreciation | 2023 Carrying value | 2022 Cost | 2022 Accumulated depreciation | 2022 Carrying value |
|---|---|---|---|---|---|---|
| Goodwill | **17** | **–** | **17** | 48 | – | 48 |

| *Figures in Pula million* | Group **2023** | Group 2022 | Company **2023** | Company 2022 |
|---|---|---|---|---|
| Cost | **48** | 60 | **–** | – |
| Effects of hyperinflation accounting | **17** | 31 | **–** | – |
| Effects of movement in exchange rates | **(48)** | (43) | **–** | – |
| | **17** | 48 | **–** | – |

The valuation of goodwill at the reporting date was determined by comparing the value in use of the cash generating units ("CGUs") that the goodwill is allocated to the carrying amounts of the assets and liabilities within the CGUs. The value in use is determined by comparing the present value of estimated incremental future cash flows to the carrying amount. This was based on five-year cash flow projections based on the most recent budgets approved by the Board and extrapolations of cash flows. The growth rates incorporated in the projections do not exceed the average long-term growth rates for the market in which the CGU operates.

No impairment indicators were identified relating to goodwill.

| *Figures in Pula million* | Group **2023** | Group 2022 | Company **2023** | Company 2022 |
|---|---|---|---|---|
| **Goodwill is allocated to the CGUs (mainly individual stores) of the main operations as follows:** | | | | |
| **Goodwill** | | | | |
| Nanavac Investments (Pvt) Limited (Zimbabwe) | **17** | 48 | **–** | – |
| The following assumptions were applied in the evaluation of goodwill discount rate is 28.2% (2022: 22%): | | | | |
| **Average sales growth rate** | | | | |
| In Zimbabwe | **20** | 30 | | |
| Terminal value growth rate | **2.0** | 2.4 | | |
| **Five-year average inflation rate** | | | | |
| In Zimbabwe | **17** | 50 | | |
| **Five-year gross profit margin** | | | | |
| In Zimbabwe – percentage | **23** | 21 | | |

The value-in-use calculations and impairment reviews are sensitive to changes in key assumptions, particularly relating to discount rates and cash flow growth. A sensitivity analysis has been performed based on changes in key assumptions. The following key assumptions would need to change by the amounts as disclosed below, assuming all other assumptions remained constant, in order for the estimated recoverable amounts of the CGUs to equal their carrying amounts:

- An increase in the discount rate between 40% and 70%, depending on the CGU
- A decrease in terminal value growth rate between 100% and 130%, depending on the CGU.

## 18. INTANGIBLE ASSETS

| Group | 2023 Cost | 2023 Accumulated amortisation | 2023 Carrying value | 2022 Cost | 2022 Accumulated amortisation | 2022 Carrying value |
|---|---|---|---|---|---|---|
| Computer software | **36** | **(28)** | **8** | 32 | (28) | 4 |

### Reconciliation of intangible assets – Group

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| Cost | **32** | 30 | **–** | – |
| Accumulated amortisation | **(15)** | (12) | **–** | – |
| Accumulated impairment | **(13)** | (13) | **–** | – |
| Net book value at 1 July | **4** | 5 | **–** | – |
| Additions | **4** | 2 | **–** | |
| Amortisation | **–** | (3) | **–** | – |
| | **8** | 4 | **–** | – |
| **Comprising of:** | | | | |
| Cost | **36** | 32 | **–** | – |
| Accumulated amortisation | **(15)** | (15) | **–** | – |
| Accumulated impairment | **(13)** | (13) | **–** | – |
| | **8** | 4 | **–** | – |

## 19. INVESTMENTS IN NEW PROJECTS

These amounts relate to capital expenditure incurred with regard to new stores to be opened in the following financial year. The amounts are non-current in nature and will be transferred to plant and equipment when the store opens.

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **Investments in new projects is reconciled as follows:** | | | | |
| Balance at the beginning of the year | **8** | 8 | **–** | – |
| Amounts reclassified as additions to property, plant and equipment during the year | **–** | (15) | **–** | – |
| Capital advanced during the year | **–** | 13 | **–** | – |
| Effects of exchange rates | **(1)** | 2 | **–** | – |
| | **7** | 8 | **–** | – |

## 20. INVESTMENT IN SUBSIDIARIES

The following table lists the entities, which are controlled directly by the Company, and the carrying amounts of the investments in the Company's separate Financial Statements.

**Company**

| Name of company | % holding 2023 | % holding 2022 | Carrying amount 2023 | Carrying amount 2022 |
|---|---|---|---|---|
| Choppies Distribution Centre (Pty) Limited | **100** | 100 | **74** | 74 |
| Choppies Supermarkets Namibia (Pty) Limited | **2.5** | 100 | **–** | – |
| Choppies Supermarkets Tanzania Limited | **75** | 75 | **13** | 13 |
| Choppies Supermarkets Tanzania Limited – impairment | **–** | – | **(13)** | (13) |
| Choppies Enterprises Kenya Limited | **75** | 75 | **179** | 179 |
| Choppies Enterprises Kenya Limited – impairment | **–** | – | **(179)** | (179) |
| Choppies Distribution Centre Kenya Limited | **75** | 75 | **–** | – |
| Choppies Supermarket Mozambique Limitada | **90** | 90 | **34** | 34 |
| Choppies Supermarket Mozambique Limitada – impairment | **–** | – | **(34)** | (34) |
| Choppies Supermarkets Limited (Zambia) | **30** | 90 | **–** | – |
| Nanavac Investments (Pvt) Limited | **100** | 100 | **–** | – |
| | | | **74** | 74 |

The holding Company's shareholding reduced as indicated as Choppies Distribution Centre (Pty) Limited converted loans to equity for the following subsidiaries.

**Company**

**Choppies Distribution Centre (Pty) Limited**

| Name of company | % holding 2023 | % holding 2022 | Carrying amount 2023 | Carrying amount 2022 |
|---|---|---|---|---|
| Choppies Supermarkets Namibia (Pty) Limited | **97.5** | – | **84** | – |
| Choppies Supermarkets Limited (Zambia) | **60** | – | **158** | – |
| | | | **242** | – |

As Choppies Distribution Centre (Pty) Limited is a wholly owned subsidiary of the Company, the Company retains majority control over these subsidiaries.

### Assessment of investments in subsidiaries for impairment

The Company assesses investments in subsidiaries for potential impairment when their impairment indicators have been identified. The Company assesses the current and future financial performance of these subsidiaries, taking into account the Company's business model (five-year projection). An impairment loss is recognised if a subsidiary does not show a cumulative profitable return over the next five years from the year-end. All investments in subsidiaries are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the investments' recoverable amount exceeds its carrying amount. Future performance was assessed based on cash flow projections for the Group's subsidiaries below and the following key assumptions:

The Group reviewed the projections and operations of the regions, namely Botswana, Namibia and Zambia and remains optimistic of the region as it is showing good growth and value add to the Group. As a result, the Group did not impair these investments in the financial year 2023 due to the expected positive EBITDA and increase in value based on future projections.

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula million* | **2023** | 2022 | **2023** | 2022 |
| **21. INVENTORIES** | | | | |
| Merchandise | **462** | 472 | **–** | – |
| Goods in transit | **1** | 1 | **–** | – |
| | **463** | 473 | **–** | – |
| Provision for inventory obsolescence | **(22)** | (12) | **–** | – |
| | **441** | 461 | **–** | – |
| Cost of sale recognised as expense during the year | **5 074** | 4 735 | **–** | – |
| **22. AMOUNTS DUE FROM RELATED PARTIES** | | | | |
| Amounts due from related entities – other related parties | **3** | 4 | **464** | 164 |

Transactions with related entities are carried out on mutually agreed terms and conditions in the normal course of business on an arm's length basis. Refer to note 37 for the details of related party balances and transactions.

All amounts are short term. The carrying values of amounts due from related entities are considered to be a reasonable approximation of fair value.

### Exposure to credit risk

Amounts due from related entities inherently expose the Group to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

A loss allowance is recognised for all amounts due from related entities, in accordance with IFRS 9 *Financial Instruments*, and is monitored at the end of each reporting period. Amounts due from related entities are written off when there is no reasonable expectation of recovery, for example, when a related entity is placed or has been placed under liquidation. Amounts due from related entities which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for amounts due from related parties by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on amounts due from related parties is determined as the lifetime expected credit losses on amounts due from related parties. These lifetime expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of past default experience of amounts due from related parties but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date. The lifetime expected credit loss ("ECL") is expected to be immaterial or almost nil based on past experience as a result of low risk of default and no amounts are past due.

At the Company level, an impairment loss from related parties (subsidiaries) is recognised based on management's assessment of the related party's inability to repay the amounts advanced in the near future.

| Figures in Pula million | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|

## 23. ADVANCES AND DEPOSITS

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| Prepaid expenses | **5** | 7 | **–** | – |
| Rent deposits | **9** | 9 | **–** | – |
| Other deposits | **3** | 1 | **–** | – |
| Electricity deposits | **3** | 3 | **–** | – |
| Advance to suppliers | **32** | 31 | **–** | – |
| Other advances | **5** | 5 | **–** | – |
| Kamoso Africa Proprietary Limited* | **14** | – | **–** | – |
| | **71** | 56 | **–** | – |

** Choppies acquired 76% (seventy-six percent) of the Kamoso Group for P2.00 (two Pula) and took cession of shareholders loans to the value of P22 million on 19 July 2023. As at 30 June 2023, P13.8 million was held in trust by the seller. This amount together with the balance of the P22 million was paid to the sellers on 20 July 2023.*

Advances to suppliers are prepayments for inventory and services.

## 24. TRADE AND OTHER RECEIVABLES

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **Financial instruments** | | | | |
| Trade receivables | **9** | 15 | **–** | – |
| Loss allowance | **(3)** | (10) | **–** | – |
| Trade receivables at amortised cost | **6** | 5 | **–** | – |
| Rebate receivable | **39** | 29 | **–** | – |
| Other receivable | **47** | 32 | **–** | – |
| **Non-financial instruments** | | | | |
| Value added tax | **8** | 9 | **–** | – |
| **Total trade and other receivables** | **100** | 75 | **–** | – |

Other receivables include balances relating to counterparties for transacting in money transfers, electricity and satellite television subscriptions.

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **Financial instrument and non-financial instrument components of trade and other receivables** | | | | |
| At amortised cost | **92** | 66 | **–** | – |
| Non-financial instruments | **8** | 9 | **–** | – |
| | **100** | 75 | **–** | – |

## 24. TRADE AND OTHER RECEIVABLES continued

### Exposure to credit risk

Trade and other receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

Trade receivables arise from retail sales. Retail trade is located in Botswana, Namibia, Zambia and Zimbabwe. Credit risk is assessed and monitored internally along these risk concentrations.

The Company is exposed to credit risk if counterparties fail to make payments as they fall due.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company uses a provision matrix to measure the expected credit loss ("ECL") of trade receivables from various customer groups. Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on type of clients and products.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 *Financial Instruments*, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

### Credit risk on rebate receivable

These rebates receivable are recovered from supplier payments and the Group does not expect any credit loss. Rebate receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

| Group<br>Expected credit loss rate | **2023 Estimated gross carrying amount at default** | **2023 Loss allowance (lifetime expected credit loss)** | 2022 Estimated gross carrying amount at default | 2022 Loss allowance (lifetime expected credit loss) |
|---|---|---|---|---|
| Not past due: 3% (2022: 71%) | **3** | **–** | 7 | (5) |
| More than 91 days past due: 100% (2022: 100%) | **3** | **(3)** | 5 | (5) |
| **Total** | **6** | **(3)** | 12 | (10) |
| **Reconciliation of loss allowances**<br>The following table shows the movement in the loss allowance (lifetime expected credit losses ("ECL")) for lease receivables: | | | | |
| **Opening balance in accordance with IFRS 9** | **10** | **3** | – | – |
| Provision for ECL – current year | **–** | **7** | – | – |
| Provisions reversed on settled trade receivables | **(7)** | **–** | – | – |
| **Closing balance** | **3** | **10** | – | – |

### Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **25. CASH AND CASH EQUIVALENTS** | | | | |
| Cash and cash equivalents consist of: | | | | |
| Cash on hand | **222** | 10 | **–** | – |
| Bank balances | **–** | 75 | **3** | – |
| Bank overdraft | **(79)** | (68) | **–** | – |
| | **143** | 17 | **3** | – |
| Current assets | **222** | 85 | **3** | – |
| Current liabilities | **(79)** | (68) | **–** | – |
| | **143** | 17 | **3** | – |

The Company had a cash balance of BWP437 530 at 30 June 2022.

The Group has the following facilities:

- Facility D – raised with a consortium of banks as described under note 30. Facility D is a BWP80 million overdraft facility from Absa Bank Botswana Limited, Stanbic Bank Botswana Limited and First National Bank Botswana Limited, secured by a cross-company guarantee of BWP80 million issued by Choppies Enterprises Limited and its subsidiaries and a deed of hypothecation in favour of the lenders over movable assets limited to BWP80 million issued by Choppies Enterprises Limited and its subsidiaries. At the reporting date, BWP77 million (2022: BWP68 million) of this facility was utilised. At the reporting date, BWP2 million (2022: BWP Nil) of this facility was utilised.
- Nanavac Investments (Pvt) Limited (Zimbabwe) – BWP13 Million
- At the reporting date BWP2 million (2022: BWP NIL) of this facility was utilised.

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **26. STATED CAPITAL** | | | | |
| **Issued ordinary shares – '000s** | | | | |
| At the beginning of the year | **1 303 628** | 1 303 628 | **1 303 628** | 1 303 628 |
| Issued through rights offer | **520 834** | – | **520 834** | – |
| **At the end of the year** | **1 824 462** | 1 303 628 | **1 824 462** | 1 303 628 |
| **Issued stated capital – Pula millions** | | | | |
| At the beginning of the year | **906** | 906 | **906** | 906 |
| Issued through rights offer | **300** | – | **300** | – |
| Foreign exchange gain on Rand-valued shares | **7** | – | **7** | – |
| Share issue expenses | **(6)** | – | **(6)** | – |
| | **1 207** | 906 | **1 207** | 906 |

The Company released a circular, relating to the partially underwritten, renounceable rights offer of ordinary no par value shares in Choppies.

In terms of the rights offer, Choppies offered a total of 520 833 333 ordinary shares for subscription, by way of renounceable rights, at the rights offer price of P0.576 or R0.82368 (based on the applicable Pula/Rand exchange rate as at close of trade on 31 May 2023, being R1.43 to the Pula) per ordinary share on the basis of 1 rights offer shares for every 2.50297 ordinary shares held by qualifying Choppies shareholders.

The rights offer was partially underwritten by Ivygrove Holdings Proprietary Limited and Export Marketing (BVI) Limited.

The rights offer closed at 12:00 Botswana/South African time on Wednesday, 28 June 2023 and the full BWP300 000 000 was raised.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank pari passu with regard to the Company's residual assets.

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **27. TREASURY SHARES** | | | | |
| The Group operates an employee share incentive scheme. Shares granted in terms of the scheme meet the definition of an equity-settled share-based payments. | | | | |
| Total number of shares held as treasury shares – '000s | **15 570** | 12 000 | **–** | – |
| Value of treasury shares held by Choppies Distribution Centre (Pty) Ltd | **32** | – | **–** | – |
| Value of shares held by the Share Trust | **–** | 30 | **–** | – |
| **28. HYPERINFLATIONARY TRANSLATION RESERVE** | | | | |
| This reserve is used to report the exchange differences on translating subsidiaries which is based in hyperinflationary economy. The Zimbabwe Dollar ("ZW$") functional currency in which one of the subsidiaries operates continues to be hyperinflationary and the results of its operations have been prepared in terms of the IAS 29 *Financial Reporting in Hyperinflationary Economies*. | | | | |
| Opening balance | **269** | 194 | **–** | – |
| Exchange differences on translating foreign operations in hyperinflationary economy | **43** | 75 | **–** | – |
| | **312** | 269 | **–** | **–** |
| **29. FOREIGN CURRENCY TRANSLATION RESERVE** | | | | |
| This reserve is used to record exchange differences arising from the translation of the results of foreign subsidiaries. | | | | |
| Opening balance | **(586)** | (474) | **–** | |
| Exchange differences on translating foreign operations | **(96)** | (113) | **–** | – |
| Exchange differences on translating foreign operations attributable to non-controlling interest | **–** | 1 | **–** | – |
| | **(682)** | (586) | **–** | – |
| Foreign currency translation reserve comprises of: | | | | |
| Foreign currency translation reserve – continuing operations | **(682)** | (586) | **–** | – |
| **30. BORROWINGS** | | | | |
| **Held at amortised cost** | | | | |
| **Secured** | | | | |
| First National Bank Botswana Limited | **47** | 56 | **–** | – |
| Absa Bank Botswana Limited | **203** | 255 | **–** | – |
| Stanbic Bank Botswana Limited | **119** | 143 | **–** | – |
| Absa Bank South Africa Limited | **–** | 3 | **–** | – |
| Absa Bank Kenya Plc | **–** | 10 | **–** | – |
| **Unsecured** | | | | |
| Shanta Retail Holding Limited | **–** | 37 | **–** | – |
| Loan from shareholders | **–** | 113 | **–** | – |
| | **369** | 617 | **–** | – |
| **Split between non-current and current portions** | | | | |
| Non-current liabilities | **216** | 530 | **–** | – |
| Current liabilities | **153** | 87 | **–** | – |
| | **369** | 617 | **–** | – |

Refer to note 35 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and note 39 Financial instruments and financial risk management for the fair value of borrowings.

## 30. BORROWINGS continued

The lenders have made available three term facility loans:

- Facility A1 is repayable by way of monthly equal instalments commencing in March 2021 and ended in February 2023
- Facility B is repayable by way of monthly equal instalments commencing in March 2023 and ending in February 2026
- Facility C is repayable in by way of a lump sum in March 2026.

Facility A1 is part of a basket of facilities including the Absa Bank of SA loan (facility A2) and Absa Bank of Kenya loan (facility A3) as detailed in the notes below and the Bank Overdraft (facility D) as detailed in note 25.

Interest is calculated based on the rate of interest on each loan per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being the Botswana prime lending rate. Interest accrues on a day-to-day basis and is calculated based on 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan.

**Absa South Africa Bank Limited**

The lenders have made available a term facility loan:

Facility A2 is repayable by way of monthly equal instalments commencing in March 2021 and ended in January 2023.

Interest is calculated based on the rate of interest on each loan per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being the South African prime lending rate. Interest accrues on a day-to-day basis and is calculated based on 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan.

Facility A3 is repayable by way of monthly equal instalments commencing in March 2021 and ending in February 2023.

Interest is calculated based on the rate of interest on each loan per annum which is the aggregate of the applicable: (a) margin and: (b) the reference rate, their reference rate being the Libor lending rate. Interest accrues on a day-to-day basis and is calculated based on 365 days and the actual number of days elapsed on a 365 days per basis. Interest shall accrue on each facility on each interest payment date. The first interest period shall begin at the utilisation date of each loan.

Facility loans A to C are subject to financial covenants. Under the terms of the major borrowing facilities, the Botswana Group* is required to comply with the following financial covenants, calculated on the basis that IAS 17 *Leases* is still applied:

- Botswana Group gross debt to EBITDA ratio must not exceed 1.75 times (2022: 2.0 times);
- Botswana Group interest cover ratio (EBITDA divided by finance charges) must be minimum of 5.0 times;
- Botswana debt service cover ratio (free cash flow divided by the debt service costs) must be a minimum of 1.2 times.

The covenants are measured quarterly.

** The Botswana Group consists of the parent Company and the Botswana subsidiary – Choppies Distribution Centre (Pty) Ltd.*

| *Figures in Pula million* | **2023** | 2022 |
|---|---|---|
| **30. BORROWINGS** continued | | |
| The Botswana Group has compiled with these covenants throughout the reporting period. As at the reporting date, these ratios measure as follows: | | |
| Gross debt to EBITDA | **1.5** | 1.5 |
| Interest cover ratio | **8.2** | 5.4 |
| Debt service cover ratio | **1.6** | 1.7 |

**Shanta Retail Holding Limited**

In August 2019, the Group obtained a short-term loan from the minority shareholder Shanta Retail Holding Limited for US$4 million to further finance the working capital requirements of Choppies Enterprises Kenya Limited. The loan was interest free and was settled in full during the year.

**Loan from founding shareholders**

The founding shareholders effected a payment of BWP100 million on 19 October 2019 to the Company. The capital of the loan bears interest at a rate equal to 0.5% below the average rate of interest paid by Choppies Enterprises Limited to the lenders under various finance documents as defined in the intercreditor agreement. The loan was repaid during the year.

**At the reporting date, borrowings payables were as follows:**

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula million* | **2023** | 2022 | **2023** | 2022 |
| **Cash flows within one year** | | | | |
| Capital repayments | **153** | 87 | **–** | – |
| Interest | **22** | 33 | **–** | – |
| | **175** | 120 | **–** | – |
| **Cash flows within two to five years** | | | | |
| Capital repayments | **216** | 530 | **–** | – |
| Interest | **20** | 60 | **–** | – |
| | **236** | 590 | **–** | – |
| **Total** | | | | |
| Capital repayments | **369** | 617 | **–** | – |
| Interest | **42** | 93 | **–** | – |
| | **411** | 710 | **–** | – |
| **31. LEASE LIABILITIES** | | | | |
| **Minimum lease payments due** | | | | |
| – within one year | **242** | 206 | **–** | – |
| – in second to fifth year inclusive | **613** | 545 | **–** | – |
| – later than five years | **191** | 149 | **–** | – |
| | **1 046** | 900 | **–** | – |
| *Less*: future finance charges | **(218)** | (156) | **–** | – |
| **Present value of minimum lease payments** | **828** | 744 | **–** | – |

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **31. LEASE LIABILITIES** continued | | | | |
| **Present value of minimum lease payments due** | | | | |
| – within one year | **168** | 157 | **–** | – |
| – in second to fifth year inclusive | **470** | 405 | **–** | – |
| – later than five years | **190** | 182 | **–** | – |
| | **828** | 744 | **–** | – |
| Non-current liabilities | **660** | 587 | **–** | – |
| Current liabilities | **168** | 157 | **–** | – |
| | **828** | 744 | **–** | – |

Refer to note 35 Changes in liabilities arising from financing activities for details of the movement in the lease liabilities.

### Details of leases

The Group has leases for the stores it operates in Botswana, Zambia, Namibia and Zimbabwe. With the exception of short-term leases, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 15).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a termination fee. Most leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. Furthermore the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

### Scania Finance Southern Africa (Pty) Limited

#### Finance lease liabilities

These lease liabilities are secured over motor vehicles with a net book value of BWP127 million (2022: BWP30 million). These liabilities bear interest at the South African prime lending rate less 0.5%–1% per annum and are repayable in 24–36 monthly instalments.

#### Alensy Energy Solutions (Pty) Ltd

These lease liabilities are secured over solar equipment with a net book value of BWP1 million (2022: BWP2 million). These liabilities bear interest at the South African prime lending rate plus 2% per annum and are repayable in 36 monthly instalments.

#### Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| Gain on rental concession | **(4)** | (9) | **–** | – |
| Variable lease payments | **2** | 8 | **–** | – |
| | **(2)** | (1) | **–** | – |

## 31. LEASE LIABILITIES continued

### Scania Finance Southern Africa (Pty) Limited continued

#### Lease payments not recognised as a liability continued

Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset. Variable lease payments are expensed in the period they are incurred.

Additional information on the leased assets by class of assets is as follows:

| 30 June 2023 | Carrying amounts | Depreciation expense | Impairment |
|---|---|---|---|
| Buildings | **635** | **150** | **–** |
| Motor vehicles | **127** | **6** | **–** |
| Solar equipment | **1** | **–** | **–** |
| | **763** | **156** | **–** |
| **30 June 2022** | | | |
| Buildings | 597 | 154 | – |
| Motor vehicles | 30 | 3 | – |
| Solar equipment | 2 | – | – |
| | 629 | 157 | – |

The leased assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

| *Figures in Pula million* | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **32. DEFERRED TAX ASSET AND LIABILITY** | | | | |
| Movement in deferred tax is analysed as follows: | | | | |
| **Reconciliation of deferred tax asset/(liability)** | | | | |
| At the beginning of the year | **(16)** | (19) | **–** | – |
| Charge to profit/(loss) | **23** | 3 | **–** | – |
| Foreign exchange differences | **1** | – | **–** | – |
| | **8** | (16) | **–** | – |
| **Deferred tax liability** | | | | |
| Accelerated capital allowances | **(43)** | (37) | **–** | – |
| Right-of-use asset | **(97)** | (93) | **–** | – |
| Unrealised foreign exchange loss | **(1)** | (1) | **–** | – |
| **Total deferred tax liability** | **(141)** | (131) | **–** | – |
| **Deferred tax asset** | | | | |
| Lease liabilities | **118** | 113 | **–** | – |
| Tax losses carried forward | **31** | 2 | **–** | – |
| **Total deferred tax asset** | **149** | 115 | **–** | – |
| Deferred tax liability | **(141)** | (131) | **–** | – |
| Deferred tax asset | **149** | 115 | **–** | – |
| **Total net deferred tax asset (liability)** | **8** | (16) | **–** | – |

| Figures in Pula million | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|

## 32. DEFERRED TAX ASSET AND LIABILITY
continued

| | | | | |
|---|---|---|---|---|
| Deferred tax relating to tax losses shown separately under non-current assets | **31** | – | **–** | – |
| Deferred tax liability shown separately under non-current liabilities | **(23)** | – | **–** | – |
| | **8** | – | **–** | – |

### Recoverability of deferred tax assets
Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the Group's operations where there is compelling evidence that it is probable that sufficient taxable profits will be available in the future to utilise the tax losses carried forward by the specific company to which it relates. Management has carefully assessed the entities' ability to generate future taxable profits against which the recognised tax losses can be utilised. Such assessments are based on the approved budgets and the forecasts of the entities including their ability to raise funding to maintain and support their operations.

## 33. AMOUNTS DUE TO RELATED PARTIES

| | | | | |
|---|---|---|---|---|
| Amounts due to related entities | **31** | 44 | **170** | – |

These balances are trade related, unsecured, interest free and are repayable under normal trading terms. Refer to note 37 for the details of related party balances and transactions.

All amounts are short term. The carrying values of amounts due to related entities are considered to be a reasonable approximation of fair value.

## 34. TRADE AND OTHER PAYABLES

| | | | | |
|---|---|---|---|---|
| **Financial instruments** | | | | |
| Trade payables | **616** | 585 | **–** | – |
| Other payables | **147** | 139* | **5** | – |
| **Non-financial instruments** | | | | |
| Withholding tax payable | **8** | 2 | **–** | – |
| VAT payables | **14** | 7 | **–** | – |
| | **785** | 733 | **5** | – |

** Restated (refer to note 42).*

| | | | | |
|---|---|---|---|---|
| **Financial instrument and non-financial instrument components of trade and other payables** | | | | |
| At amortised cost | **763** | 724 | **5** | – |
| Non-financial instruments | **22** | 9 | **–** | – |
| | **785** | 733 | **5** | – |

Trade and other payables are interest free and have payment terms of up to 30 days.

### Fair value of trade and other payables
All amounts are short term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value. Information of the Group's exposure to currency and liquidity risks is included in note 39.

## 35. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

### Reconciliation of liabilities arising from financing activities – Group – 2023

| | Opening balance | Foreign exchange movements | New leases | Repayments | Accrued interest | Closing balance |
|---|---|---|---|---|---|---|
| Borrowings | **467** | **–** | **–** | **(98)** | **–** | **369** |
| Shareholders loan | **113** | **–** | **–** | **(120)** | **7** | **–** |
| Shanta | **37** | **(3)** | **–** | **(34)** | **–** | **–** |
| Lease liabilities – financed assets | **31** | **–** | **50** | **(18)** | **–** | **63** |
| Lease liabilities – right-of-use assets | **713** | **(32)** | **243** | **(159)** | **–** | **765** |
| **Total liabilities from financing activities** | **1 361** | **(35)** | **293** | **(429)** | **7** | **1 197** |

Repayment of borrowings of BWP132 million consists of borrowings of BWP98 million and Shanta of BWP34 million. Lease capital repayments of BWP177 million consists of finance leases of BWP18 million and leases of BWP159 million.

The new leases for right-of-use assets of BWP243 million are not a cash flow.

### Reconciliation of liabilities arising from financing activities – Group – 2022

| | Opening balance | Foreign exchange movements | New leases | Repayments | Accrued interest | Closing balance |
|---|---|---|---|---|---|---|
| Borrowings | 551 | – | – | (84) | – | 467 |
| Shareholders loan | 107 | – | – | – | 6 | 113 |
| Shanta | 44 | 5 | – | (12) | – | 37 |
| Lease liabilities – financed assets | 2 | – | 36 | (7) | – | 31 |
| Lease liabilities – right-of-use assets | 720 | 44 | 112 | (163) | – | 713 |
| Total liabilities from financing activities | 1 424 | 49 | 148 | (266) | 6 | 1 361 |

## 36. CONTINGENCIES

The Group has the following contingent liabilities at the reporting date:

**36.1** Choppies Enterprises Limited has the guarantees issued for Nanavac Investments (Pvt) Limited valued at BWP116 million (2022: BWP72 million).

**36.2** Choppies Enterprises Limited has guarantees issued for Choppies Supermarkets Tanzania Limited valued at BWP0.1 million (2022: BWP0.1 million).

The guarantees are callable on demand.

## 37. RELATED PARTIES

Relationships

| | |
|---|---|
| Subsidiaries | Refer to note 20 |

The Group's related parties include its key management, companies with common directors and ownership.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula million* | **2023** | 2022 | **2023** | 2022 |
| **Related party balances – net** | | | | |
| **Amounts due from related entities (subsidiaries)** | | | | |
| Choppies Distribution Centre (Pty) Ltd | **-** | – | **437** | 137 |
| Nanavac Investments (Pty) Ltd | **-** | – | **35** | 35 |
| Nanavac Investments (Pty) Ltd – impairment | **-** | – | **(18)** | (18) |
| Choppies Supermarkets Limited (Zambia) | **-** | – | **10** | 10 |
| | **-** | – | **464** | 164 |

The balances are unsecured, interest free and repayable on demand. No other impairment losses have been recognised during the financial year.

Related entities are third parties in which one or both of the founding shareholders or their immediate family members have significant control through ownership or directorship.

These balances are trading related, are based on mutually agreed terms and conditions, unsecured and interest-free and are payable under normal trading terms. A detailed list of entities is available on request.

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| **Amounts due from related entities (third parties)** | **3** | 4 | **-** | – |

The balances are trading related, are based on mutually agreed terms and conditions, unsecured and interest free and repayable under normal trading terms. A detailed list of entities is available on request.

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| **Amounts due to related entities (third parties)** | **31** | 44 | **-** | – |
| **Related party transactions** | | | | |
| **Sale of stock to related entities** | **42** | 38 | **-** | – |
| **Purchase of goods or services from related entities** | **463** | 499 | **-** | – |
| **Rent paid to related parties** | | | | |
| The FaR Property Company Ltd* | **64** | 62 | **-** | – |

* *Rent paid is the actual rental payments as per lease agreements. Included in the statement of profit or loss and other comprehensive income is an interest expense of BWP14 million (2022: BWP15 million) relating to the right-of-use asset.*

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| **Interest paid to related parties** | | | | |
| O Ottapathu | **6** | 5 | **-** | – |
| FE Ismail | **1** | 1 | **-** | – |
| | **7** | 6 | **-** | – |

| Figures in Pula million | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| **38. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS** | | | | |
| The table below provides key management personnel compensation during the year, including directors. These amounts are included in employee costs in note 7. | | | | |
| **Directors fees – BWP Thousands** | | | | |
| **Non-executive Directors** | | | | |
| FE Ismail | **433** | 100 | **–** | – |
| CJ Harward | **767** | 433 | **–** | – |
| DKU Corea | **533** | 300 | **–** | – |
| T Pritchard | **500** | 467 | **–** | – |
| V Chitalu | **767** | 433 | **–** | – |
| RP De Silva | **267** | – | **–** | – |
| | **3 267** | 1 733 | **–** | – |
| **Salaries – BWP Thousands** | | | | |
| **Executive Directors** | | | | |
| R Ottapathu | **6 965** | 10 146 | **–** | – |
| **Gratuity relating to prior years** | | | | |
| R Ottapathu | **16 300** | – | **–** | – |
| Disclosed in retained loss at 30 June 2021 – refer to note 42. | | | | |
| **Retainer fees – BWP Thousands** | | | | |
| **Non-executive Directors** | | | | |
| FE Ismail | **300** | 300 | **–** | – |
| T Pritchard | **417** | 500 | **–** | – |
| DKU Corea | **660** | 660 | **–** | – |
| CJ Harward | **360** | 360 | **–** | – |
| V Chitalu | **618** | 640 | **–** | – |
| RP De Silva | **83** | – | **–** | – |
| | **2 438** | 2 460 | **–** | – |
| **Salaries – BWP Thousands** | | | | |
| **Related to other key management personnel** | | | | |
| V Madhavan | **4 737** | – | **–** | – |
| M Rajcoomar | **3 093** | 3 721 | **–** | – |
| V Sanooj | **2 035** | 2 279 | **–** | – |
| S Kolazhy | **1 550** | 1 793 | **–** | – |
| | **11 415** | 7 793 | **–** | – |

## 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Categories of financial instruments

**Categories of financial assets**

**Group – 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Amounts due from related parties | 22 | **3** | **3** | **3** |
| Trade and other receivables | 24 | **92** | **92** | **92** |
| Cash and cash equivalents | 25 | **222** | **222** | **222** |
| | | **317** | **317** | **317** |
| **Group – 2022** | | | | |
| Amounts due from related parties | 22 | 4 | 4 | 4 |
| Trade and other receivables | 24 | 66 | 66 | 66 |
| Cash and cash equivalents | 25 | 85 | 85 | 85 |
| | | 155 | 155 | 155 |

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| **Company – 2023** | | | | |
| Amounts due from related parties | 22 | **464** | **464** | **464** |
| Trade and other receivables | 24 | **2** | **2** | **2** |
| Cash and cash equivalents | 25 | **3** | **3** | **3** |
| | | **469** | **469** | **469** |
| **Company – 2022** | | | | |
| Amounts due from related parties – net | 22 | 164 | 164 | 164 |

Carrying value is a reasonable approximation of fair value.

### Categories of financial liabilities

**Group – 2023**

| | Note(s) | Amortised cost | Total | Fair value |
|---|---|---|---|---|
| Trade and other payables | 34 | **763** | **763** | **763** |
| Amounts due to related parties | 33 | **31** | **31** | **31** |
| Borrowings | 30 | **369** | **369** | **369** |
| Lease liabilities | 31 | **828** | **828** | **828** |
| Bank overdraft | 25 | **79** | **79** | **79** |
| | | **2 070** | **2 070** | **2 070** |
| **Group – 2022** | | | | |
| Trade and other payables | 34 | 724 | 724 | 724 |
| Amounts due to related parties | 33 | 44 | 44 | 44 |
| Borrowings | 30 | 617 | 617 | 617 |
| Lease liabilities | 31 | 744 | 744 | 744 |
| Bank overdraft | 25 | 68 | 68 | 68 |
| | | 2 197 | 2 197 | 2 197 |

Carrying value is a reasonable approximation of fair value because of the short-term nature or market-related terms of the liabilities.

## 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

### Capital risk management

The capital structure and gearing ratio of the Group at the reporting date was as follows:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### Financial risk management

#### Overview

The Group is exposed to credit, liquidity, interest rate and foreign currency risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The Group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the Group.

#### Risk management framework

The Group's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of directors through the audit and risk committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on investment.

### Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Amounts due from related entities
- Trade and other receivables
- Cash and cash equivalents
- Advances and deposits
- Financial guarantee contracts at a company level.

The Group limits the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. The Group has no significant concentration of credit risk, and exposure to third parties is monitored as part of the credit control process.

## 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered with banks registered in the geographical areas where the Group operates. Banks in Botswana are not rated, but most of the banks are subsidiaries of major South African or United Kingdom registered institutions.

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables that have similar characteristics are grouped together and assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and according to the geographical location of customers where applicable.

In determining the level of likely credit losses on write-off of trade receivables, the Group has taken cognisance of historical collections from external debt collection processes and delayed settlement arrangements with debtors, as well as the impact which the expected future development of macro-economic indicators (specifically gross domestic product) may have on historical collection and default rates, including the possible impact of the Russia-Ukraine war on its business and collection.

Trade receivables are considered irrecoverable where:

- The customer has not made any payment within 180 days from the date of invoice (at which stage amounts are considered in full default)
- No alternative payment arrangements have been made and adhered to by the customer during the first 90 days after date of invoice
- Alternative collection efforts (mainly through external debt collection agencies), initiated once the invoice has been outstanding for more than 90 days, have failed.

On the above basis the expected credit loss for trade receivables as at 30 June 2023 was determined as follows (refer to note 24).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is summarised as follows:

| | | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|---|
| | Note(s) | **Gross carrying amount** | **Credit loss allowance** | **Amortised cost** | Gross carrying amount | Credit loss allowance | Amortised cost |
| **Group** | | | | | | | |
| Amounts due from related parties | 22 | **3** | **-** | **3** | 4 | – | 4 |
| Trade and other receivables | 24 | **95** | **(3)** | **92** | 76 | (10) | 66 |
| Cash and cash equivalents | 25 | **222** | **-** | **222** | 85 | – | 85 |
| | | **320** | **(3)** | **317** | 165 | (10) | 155 |
| **Company** | | | | | | | |
| Amounts due from related parties – net | 22 | **464** | **-** | **464** | 164 | – | 164 |
| Trade and other receivables | 24 | **2** | **-** | **2** | – | – | – |
| Cash and cash equivalents | 25 | **3** | **-** | **3** | – | – | – |
| | | **469** | **-** | **469** | 164 | – | 164 |

## 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

### Liquidity risk

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

**Group – 2023**

| | Note(s) | Less than 1 year | 2 to 5 years | Over 5 years | Contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | | |
| Borrowings | 30 | **–** | **236** | **–** | **236** | **216** |
| Lease liabilities | 31 | **–** | **613** | **191** | **804** | **660** |
| **Current liabilities** | | | | | | |
| Trade and other payables | 34 | **763** | **–** | **–** | **763** | **763** |
| Borrowings | 30 | **175** | **–** | **–** | **175** | **153** |
| Lease liabilities | 31 | **242** | **–** | **–** | **242** | **168** |
| Bank overdraft | 25 | **79** | **–** | **–** | **79** | **79** |
| | | **1 259** | **849** | **191** | **2 299** | **2 039** |

**Group – 2022**

| | Note(s) | Less than 1 year | 2 to 5 years | Over 5 years | Contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | | |
| Borrowings | 30 | – | 590 | – | 590 | 530 |
| Lease liabilities | 31 | – | 545 | 149 | 694 | 587 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 34 | 724 | – | – | 724 | 724 |
| Borrowings | 30 | 120 | – | – | 120 | 87 |
| Lease liabilities | 31 | 206 | – | – | 206 | 157 |
| Bank overdraft | 25 | 68 | – | – | 68 | 68 |
| | | 1 118 | 1 135 | 149 | 2 402 | 2 153 |

**Company – 2023**

| | Note(s) | Less than 1 year | 2 to 5 years | Over 5 years | Contractual cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| **Current liabilities** | | | | | | |
| Trade and other payables | 34 | **5** | **–** | **–** | **5** | **5** |
| Guarantees | 36 | **116** | **–** | **–** | **116** | **–** |
| | | **121** | **–** | **–** | **121** | **5** |

Choppies Enterprises Limited has financial guarantees issued for Nanavac Investments (Pvt) Limited valued at BWP116 million (2022: BWP72 million) and Choppies Supermarkets Tanzania Limited valued at BWP0.1 million (2022: BWP0.1 million). Management has assessed the probability of these entities defaulting as low, and any loss given default as insignificant based on their financial position and the fair value of the underlying property provided as security on these loans. On this basis, the liability for financial guarantees was determined to be BWP Nil in the years presented.

## 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

### Foreign currency risk

#### Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula million* | Note(s) | **2023** | 2022 | **2023** | 2022 |
| **US Dollar exposure** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 24 | **5** | 1 | **-** | - |
| Cash and cash equivalents | 25 | **8** | - | **-** | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 34 | **(18)** | (1) | **-** | - |
| Loan – borrowings | 25 | **-** | (1) | **-** | - |
| **Net US Dollar exposure** | | **(5)** | (1) | **-** | - |
| **ZAR exposure** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 24 | **25** | 52 | **-** | - |
| Cash and cash equivalents | 25 | **186** | 77 | **-** | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 34 | **(260)** | (230) | **-** | - |
| Loans | | **-** | (4) | **-** | - |
| **Net ZAR exposure** | | **(49)** | (105) | **-** | - |
| **Net exposure to foreign currency in Pula** | | **(54)** | (106) | **-** | - |
| **Exposure in foreign currency amounts** | | | | | |
| The net carrying amounts, in foreign currency of the above exposure, were as follows: | | | | | |
| **US Dollar exposure** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 24 | **-** | 8 | **-** | - |
| Cash and cash equivalents | 25 | **1** | 4 | **-** | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 34 | **(1)** | (14) | **-** | - |
| **Net US Dollar exposure** | | **-** | (2) | **-** | - |
| **ZAR exposure** | | | | | |
| **Current assets** | | | | | |
| Trade and other receivables | 24 | **30** | 39 | **-** | - |
| Cash and cash equivalents | 25 | **246** | 59 | **-** | - |
| **Current liabilities** | | | | | |
| Trade and other payables | 34 | **(348)** | (174) | **-** | - |
| Loan | 25 | **-** | (3) | **-** | - |
| **Net ZAR exposure** | | **(72)** | (79) | **-** | - |

## 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

| | | Group | | Company | |
|---|---|---|---|---|---|
| *Figures in Pula million* | Note(s) | **2023** | 2022 | **2023** | 2022 |
| **GBP exposure** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 25 | **-** | 2 | **-** | – |
| **Exchange rates** | | | | | |
| **Year-end exchange rates** | | | | | |
| South African Rand | | **1.3977** | 1.3211 | **-** | – |
| United States Dollar | | **0.0740** | 0.0804 | **-** | – |
| British Pound Sterling | | **0.0584** | 0.0663 | **-** | |
| **Average exchange rates** | | | | | |
| South African Rand | | **1.3610** | 1.3240 | **-** | – |
| United States Dollar | | **0.0762** | 0.0862 | **-** | – |
| British Pound Sterling | | **0.0634** | 0.0665 | **-** | – |

### Foreign currency sensitivity analysis

The following information presents the sensitivity of the Group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

| **Company**<br>**Increase or decrease in rate** | **2023**<br>**Increase** | **2023**<br>**Decrease** | 2022<br>Increase | 2022<br>Decrease |
|---|---|---|---|---|
| **Impact on profit or loss before tax** | | | | |
| South African Rand denominated assets – banks | **17** | (17) | **4** | (4) |
| United States Dollar denominated assets – banks | **8** | (8) | **1** | (1) |
| British Pound Sterling denominated assets – banks | **-** | – | **-** | – |
| South African Rand denominated assets – receivables | **2** | (2) | **7** | (7) |
| United States denominated assets – receivables | **5** | (5) | **-** | – |
| South African Rand denominated liabilities | **(24)** | 24 | **(19)** | 19 |
| United States Dollar denominated liabilities | **(18)** | 18 | **(2)** | 2 |
| | **(10)** | 10 | **(9)** | 9 |

A 10% strengthening of the Botswana Pula against the above mentioned currencies at the reporting date would have had an equal but opposite effect on the Group's profit before taxation and equity to the amounts disclosed above.

The Group reviews its foreign currency exposure, including commitments on an ongoing basis. The Company expects its foreign exchange contracts to hedge foreign exchange exposure.

## 39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

### Interest rate risk

The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Fixed rate borrowings expose the Group to fair value interest rate risk. Variable rate borrowings, loans and cash and cash equivalents results in cash flow interest rate risks. Other than ensuring optimum money market rates for deposits, the Group does not make use of financial instruments to manage this risk.

The Group invests with reputable institutions and has obtained borrowings and overdraft facilities, which are subject to normal market interest rate risk. The effective annual interest rates on the Group's call deposits, long-term borrowings and bank overdrafts at year-end were as follows:

#### Interest rate profile

The following are the Pula equivalent of the balances susceptible to interest rate risk:

| | Note | Average effective interest rate 2023 | Average effective interest rate 2022 | Carrying amount 2023 | Carrying amount 2022 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Call accounts denominated in Pula | | **4.00% to 6.00%** | 4.00% to 6.00% | **2** | 1 |
| Fixed deposits with banks | | **5.50% to 7.00%** | 5.50% to 7.00% | **8** | 5 |
| | | | | **10** | 6 |
| **Liabilities** | | | | | |
| Borrowings | 30 | **6.00 %** | 6.00 % | **(446)** | (744) |
| Net variable rate financial instruments | | | | **(436)** | (738) |

#### Interest cost

| Botswana | 2023 | 2022 |
|---|---|---|
| Absa Bank of Botswana Limited (overdraft) | **Prime plus 0.17%** | Prime plus 0.17% |
| Stanbic Bank Botswana Limited (overdraft) | **Prime plus 0.17%** | Prime plus 0.17% |
| First National Bank Botswana Limited (overdraft) | **Prime plus 0.17%** | Prime plus 0.17% |
| Absa Bank of Botswana Limited (term loan) | **Prime plus 0.17%** | Prime plus 0.17% |
| Stanbic Bank Botswana Limited (term loan) | **Prime plus 0.81%** | Prime plus 0.81% |
| First National Bank Botswana Limited (term loan) | **Prime plus 0.81%** | Prime plus 0.81% |
| Absa Bank Kenya PLC | **-** | Libor plus 3% |
| Shanta Retail Holding Limited | | |
| Absa Bank of Botswana Limited | **Prime plus 2%** | Prime plus 2% |
| Alensy Energy Solutions (Pty) Ltd | **Prime plus 2%** | Prime plus 2% |
| Scania Finance Southern Africa | **Prime plus 2%** | Prime plus 2% |

#### Interest rate sensitivity analysis

With average interest rates as noted, an increase/(decrease) of 0.5% (2022: 0.5%) in the current interest rates during the reporting period would have increased/(decreased) the Group's profit before taxation and equity as disclosed below:

| **Group**<br>Increase or decrease in rate by 0.5% (2022: 0.5%) | 2023 Increase | 2023 Decrease | 2022 Increase | 2022 Decrease |
|---|---|---|---|---|
| **Impact on pre-tax profit** | | | | |
| Interest paid | **8** | **(8)** | 7 | (7) |

## 40. FINANCIAL SUPPORT

Choppies Distribution Centre (Pty) Ltd, a wholly owned subsidiary of Choppies Enterprises Ltd, has pledged its continued financial and operational support to certain subsidiaries of Choppies Enterprises Limited in order for these companies to continue operating as going concerns in the foreseeable future. Each of these companies is technically insolvent with their liabilities exceeding their assets.

The financial support provided by the Company will continue for each individual Company until such time as the equity and assets, fairly valued, exceed the liabilities for each of the respective individual companies.

Based on the ability of Choppies Distribution Centre (Pty) Ltd to continue providing such support, the individual financial statements of these technically insolvent companies have been prepared on the going concern assumption. The shareholders' surplus/(deficits) at the reporting date for each of the companies are summarised as follows:

| | Group | | Company | |
|---|---|---|---|---|
| *Figures in Pula million* | **2023** | 2022 | **2023** | 2022 |
| **Foreign subsidiaries in BWP million** | | | | |
| Choppies Supermarkets Namibia (Pty) Limited | **-** | – | **14** | (59) |
| Choppies Supermarkets Limited (Zambia) | **-** | – | **48** | (134) |
| Nanavac Investments (Pvt) Limited | **-** | – | **(309)** | (250) |
| | **-** | – | **(247)** | (443) |

## 41. GOING CONCERN

The Board evaluated the going concern assumption up to the date of signing of these Financial Statements, considering the current financial position and their best estimate of the cash flow forecasts and considered it to be appropriate in the presentation of the consolidated Annual Financial Statements.

The Board has reviewed the cash flow forecast for the next 12 months as prepared by management and is of the opinion that the Group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied with the Group's ability to continue as a going concern for the foreseeable future. Furthermore, it is expected that the Russia-Ukraine war will have less of an impact on the Group during the next financial year.

The Board, relying on management's assessment, is satisfied that the Group is a going concern and therefore continue to apply the going concern assumption in the preparation of these Financial Statements.

## 42. PRIOR PERIOD ERROR

The Group has restated certain figures in the comparative Financial Statements for the year ended 30 June 2022, due to an error identified after the issuance of the prior year's Financial Statements. The error relates to gratuity, which according to the Botswana Employment Act, was payable to the Chief Executive Officer ("CEO") but was not accrued or paid up to 1 July 2018. The gratuity is a statutory requirement applicable to all employees who are not a member of a pension fund, and this was duly accrued and paid to all other eligible employees, but had been omitted in the case of the CEO. The gratuity was accrued after 1 July 2018 to 30 June 2023.

This gratuity liability was calculated to be BWP16 million as at 1 July 2018. The error has been corrected retrospectively as the amount related to compensation of key management and was therefore considered to be qualitatively material.

As this error was made in a reporting period prior to the comparative period, the Statement of Financial Position balances as at 30 June 2021 were restated as follows:

| | |
|---|---|
| Accrual of gratuity | BWP16 million |
| Income tax thereon | (BWP3 million) |
| Net charge to equity | BWP13 million |

The trade payables balance at 30 June 2021 was restated to include the P16 million and taxation payable at 30 June 2021 was reduced by P3 million.

In addition, the statement of financial position balances were still understated as at 30 June 2022, so this error resulted in the restatement of the following line items for the year ended 30 June 2022:

The trade payables balance at 30 June 2022 was restated to include the P16 million and taxation payable at 30 June 2022 was reduced by P3 million.

## 43. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2023, Choppies acquired 76% (seventy-six percent) of the Kamoso Group for BWP2.00 (two Pula) and took cession of shareholders loans to the value of BWP22 million. The Botswana Development Corporation ("BDC") will retain its 24% stake.

The initial accounting for this business combination was provisionally completed at the time the Group annual financial statements were approved. The figures disclosed as the fair value of assets acquired and liabilities assumed at the date of signature are provisional and subject to the finalisation of the valuations used in the determination of the fair values.

### Fair value of assets acquired and liabilities assumed

| | **BWP millions** |
|---|---|
| Property, plant and equipment | 80 |
| Intangible assets | 114 |
| Goodwill from subsidiaries | 39 |
| Deferred tax | 8 |
| Inventories | 122 |
| Trade and other receivables | 109 |
| Taxation refundable | 12 |
| Operating lease liability | (124) |
| Shareholder loans | (47) |
| Trade and other payables | (202) |
| Current tax payable | (3) |
| Bank overdraft | (131) |
| Contingent liability | (26) |
| Total identifiable net liabilities | (49) |
| Non-controlling interest | 12 |
| Goodwill | 59 |
| **Purchase consideration*** | **22** |

** The cash payment was sourced from cash on hand.*

### Non-controlling interest

Non-controlling interest, which is a present ownership interest, and entitles their holders to a proportionate share of the entities' net assets in the event of liquidation, is measured at the present ownership interests proportionate to the acquiree's identifiable net assets.

### Acquisition-related costs

The acquisition-related costs incurred during financial year June 2023 are immaterial and are included in administration expenses. Transaction costs incurred after year-end will be expensed in administration expenses in the new financial year.


# 07

# Shareholders' information


Choppies is a retailer that cares for and empowers its communities to better their wellbeing as it strives to improve, with and for its stakeholders, in order to grow together and create shared value.


## SHAREHOLDERS' INFORMATION

# SHAREHOLDERS' ANALYSIS

for the year ended 30 June 2023

| Shareholder spread | Number of shareholders 2023 | Number of Shares | % of total shareholdings |
|---|---|---|---|
| 1–1000 | 9 785 | 228 869 | 0.01 |
| 1001–10 000 | 7 529 | 10 787 277 | 0.59 |
| 10 001–100 000 | 672 | 18 988 142 | 1.04 |
| 100 001–1000 000 | 112 | 36 823 092 | 2.02 |
| Over 1 000 000 | 49 | 1 757 634 294 | 96.34 |
| **TOTAL** | **18 147** | **1 824 461 674** | **100.00** |

| Distribution of shareholders | Number of shareholders 2023 | Number of Shares | % of total shareholdings |
|---|---|---|---|
| Companies | 221 | 452 035 833 | 24.78 |
| Share scheme | 1 | 15 566 251 | 0.85 |
| Individuals | 17 835 | 80 353 131 | 4.40 |
| Institutional investors | 79 | 434 583 902 | 23.82 |
| Directors | 3 | 841 922 557 | 46.15 |
| **TOTAL** | **18 139** | **1 824 461 674** | **100.00** |

| Shareholders type | Number of shareholders 2023 | Number of Shares | % of total shareholdings |
|---|---|---|---|
| Non-public shareholders | 8 | 843 579 715 | 46.24 |
| Public shareholders | 18 134 | 980 881 959 | 53.76 |
| **TOTAL** | **18 142** | **1 824 461 674** | **100.00** |

| Directors | Number of shareholders 2023 | Number of Shares | % of total shareholdings |
|---|---|---|---|
| Ramachandran Ottapathu (including indirect holdings) | | 528 428 123 | 29 |
| Farouk Ismail (including indirect holdings) | | 313 358 587 | 17 |
| Carol-Jean Harward | | 135 847 | – |
| Don Kumaray U Corea | | – | |
| Thomas Pritchard (Resigned 01/05/2023) | | – | |
| Valentine Chitalu | | – | |
| Ranjith Priyalal De Silva (Appointed 01/05/2023) | | | |
| **TOTAL** | | **841 922 557** | **46.15** |

## TOP 10 SHAREHOLDERS

Choppies share register 30 June 2023

| Name of top 10 shareholders 2023 | Number of shares held 2023 | Percentage of holding 2023 |
|---|---|---|
| Ramachandran Ottapathu | 528 428 123 | 28.96 |
| Farouk Ismail | 313 358 587 | 17.18 |
| Ivygrove Holdings (Pty) Ltd | 225 543 406 | 12.36 |
| FNBB Nominees Vunani BPOPF | 136 498 238 | 7.48 |
| Marina IV LP | 131 291 985 | 7.20 |
| Botswana Insurance Fund Management | 98 660 250 | 5.41 |
| Export Marketing (BVI) Ltd | 57 201 319 | 3.14 |
| Allan Gray | 51 485 558 | 2.82 |
| UBS Switzerland AG – Client Assets | 47 439 557 | 2.60 |
| Botswana Public Officers Pension Fund | 42 908 568 | 2.35 |
| **TOTAL** | **1 632 815 591** | **89.50** |

# SHAREHOLDERS' DIARY

for the year ended 30 June 2023

| | |
|---|---|
| Financial year-end | 30 June |
| Preliminary annual results announcement | 21 September 2023 |
| Integrated Annual Report posted | 30 October 2023 |
| 2023 Annual General Meeting | 27 November 2023 |
| Next interim results announcement and dividend declaration | March 2024 |
| Interim FY2024 dividend payment | April 2024 |
| FY2024 annual results announcement | September 2024 |

# NOTICE OF ANNUAL GENERAL MEETING

## CHOPPIES ENTERPRISES LIMITED

(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(BSE Share Code: CHOP-EQO)
(JSE Share Code: CHP)
(ISIN: BW0000001072)
("Choppies" or the "Company")

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of the Shareholders of Choppies Enterprises Limited will be held at Choppies Innovation Centre, Plot 196, Gaborone International Conference Park ("GICP"), Gaborone, Botswana, as well as by electronic means, at 14:00 on 27 November 2023 (**"AGM" or "the meeting"**) to:

1. Receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2023 together with the Directors' and Auditor's Reports thereon as well as the Integrated Annual Report.

2. Confirm the appointment of Mr Ranjith Priyalal De Silva as an independent non-executive director of the Company in terms of Clause 20.4 of the Company's Constitution.

3. Confirm the appointment of Mr Andrew Dondo Mogajane as a non-executive director of the Company in terms of Clause 20.4 of the Company's Constitution.

4. Re-elect and confirm, if deemed fit, the appointment of Mr Uttum Corea, who retires by rotation in terms of clause 20.9.1 of the Constitution of the Company, and being eligible, offers himself for re-election as an independent non-executive Director.

5. Re-elect and confirm, if deemed fit, the appointment of Mr Valentine Chitalu, who retires by rotation in terms of clause 20.9.1 of the Constitution of the Company, and being eligible, offers himself for re-election as an independent non-executive Director.

6. Consider and if deemed fit, ratify the appointment of Mazars as auditors of the Company for the ensuing year.

7. Consider and if deemed fit, ratify the remuneration paid to auditors, Mazars for the year ended 30 June 2023 as set out on page 116 of the Integrated Annual Report.

8. Approve the remuneration policy set out in section 2 of the remuneration report – page 91 of the Integrated Annual Report.

9. Approve the implementation of the remuneration policy as per section 3 of the remuneration report — page 96 of the Integrated Annual Report.

10. Consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations for the year ending 30 June 2024 subject to these being made in terms of the Company policy, for charitable purposes and in total not exceeding 1.5 % of EBITDA for FY2024.

11. Receive questions from Shareholders in respect of the affairs and the business of the Company in respect of the year ended 30 June 2023, which will be answered by the Directors.

12. Close the meeting.

## IMPORTANT INFORMATION REGARDING ATTENDANCE, PARTICIPATION AND VOTING AT THE AGM

### Record dates

The date on which holders of shares listed on the Botswana Stock Exchange must be recorded as such in the register of Shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 17 November 2023.

The date on which holders of shares listed on the JSE Limited must be recorded as such in the register of Shareholders of the Company to be eligible to attend, participate and vote at the AGM is Friday, 17 November 2023, with the last day of trade on the JSE Limited being Tuesday, 14 November 2023.

## PARTICIPATION

### In-person participation

The AGM will be held in person for Shareholders who wish to participate in this manner.

Shareholders who choose not to attend in person but seek to appoint a proxy to attend the meeting, on their behalf can still submit their proxy forms. Proxy forms are to be delivered or sent by email to the Company Secretary, BP Consulting Services (Pty) Ltd as provided for on the proxy form. Where a shareholder has submitted a proxy form, the person attending the AGM on the shareholder's behalf shall be presumed to vote in accordance with the instructions of voting set out in the proxy form.

### Electronic participation

The AGM will also be held through electronic communication, via Zoom, by which all shareholders participating in the meeting simultaneously hear each other throughout the meeting, as provided for in section 109 of the Companies Act and section 3(b) of the Second Schedule to the Companies Act. The Company's Constitution also permits such electronic communication at a meeting of Shareholders.

# NOTICE OF ANNUAL GENERAL MEETING
continued

Shareholders who choose not to attend in person but seek to appoint a proxy to attend the meeting on their behalf, can still submit their proxy forms. Proxy forms are to be delivered or sent by email, to the Company Secretary, BP Consulting Services (Pty) Ltd (**"BP Consulting Services"**) as provided for on the proxy form. Where a shareholder has submitted a proxy form, the person attending the AGM on the shareholder's behalf shall be presumed to vote in accordance with the instructions of voting set out in the proxy form.

Shareholders and the proxy of any shareholder who wish to participate in the AGM by electronic means, will be required to submit the relevant duly completed electronic participation form which is annexed to the notice of the AGM, together with the relevant documents to BP Consulting Services, as provided for on the form. Shareholders are strongly encouraged to complete their verification well ahead of time.

Once the identity of a shareholder seeking to attend the meeting and the authority of any person representing such a shareholder (if the Shareholder is not an individual) or the proxy appointed by a shareholder and the person seeking to attend the AGM has been verified by BP Consulting Services, the person seeking to attend the AGM will be provided with details on how to join the AGM via Zoom.

Shareholders who have not appointed a proxy, hence not set forth instructions of voting, and who intend to participate in the meeting, once the identity of the Shareholder has been verified, will be provided with a voting form together with instructions on how to join the AGM Zoom. Shareholders or proxies for Shareholders attending the meeting are urged to send their duly completed voting forms to BP Consulting Services by delivery, or by email before the meeting.

Pursuant to article 13.3 of the Constitution of the Company, the Chairman has regulated the procedure to be adopted at the meeting as follows:

- voting will be by poll;
- in terms of article 15.2 of the Constitution voting will be by way of submission of voting papers by shareholders or proxies attending the meeting before the meeting or during but before the end of the meeting;
- pursuant to article 15.10 of the Constitution, the auditors, Mazars, will scrutinise the proxy forms, the voting forms and the results;
- pursuant to article 15.11 of the Constitution, the Chairman shall declare the result after receipt of a certificate from the auditors in terms of article 15.11 of the Constitution.

The Company shall publish the results of the meeting within 48 hours of the conclusion of the meeting.

## VOTING INSTRUCTION

### Nominee accounts (dematerialised Shareholders other than own-name registered Shareholders)

Shareholders whose shares are held in a nominee account must not complete the attached form of proxy.

If shares are held in a nominee account, then the nominee, Central Securities Depository Participant (**"CSDP"**) or broker of such Shareholder should contact the shareholder to ascertain how to cast votes at the AGM and thereafter cast the shareholder's vote in accordance with its instruction.

If you have shares in the Company held in a nominee account and have not been contacted it would be advisable for you to contact your nominee or CSDP or broker and furnish them with your instruction. If your nominee or CSDP or broker does not obtain instructions from you, they will be obliged to act in terms of your mandate furnished to them or, if the mandate is silent in this regard, to abstain from voting.

Unless you advise your nominee, CSDP or broker timeously in terms of your agreement by the cut off time advised by them that you wish to attend the AGM or send a proxy to represent you, your nominee, CSDP or broker will assume you do not wish to attend the AGM or send a proxy.

If a nominee, CSDP or broker is a company it may appoint a proxy provided that the proxy form is accompanied by a resolution of the nominee, CSDP or broker empowering the person acting on behalf of the nominee, CSDP or broker to appoint the proxy. Alternatively, such nominee, CSDP or broker may appoint by resolution, a person to represent it at a meeting; in such event, the resolution should be delivered to BP Consulting Services at least 48 hours prior to the holding of the meeting. The proxy or representative appointed by the nominee, CSDP or broker should complete the electronic participation form and deliver that to BP Consulting Services.

If you wish to participate in the AGM, you must request the necessary letter of representation from your nominee or CSDP or broker and submit this letter together with the Electronic Participation Form to BP Consulting Services at least 48 hours prior to the holding of the meeting.

### Own name Shareholders (certificated and own-name registered dematerialised Shareholders)

"Own name" Shareholders who wish to participate at the AGM themselves by electronic means, should submit their duly completed Electronic Participation Form together with an acceptable form of identification to BP Consulting Services at least 48 hours prior to the holding of the meeting. "Own name" Shareholders attending and participating the AGM in person shall be provided with a voting form upon registration at the meeting.

# NOTICE OF ANNUAL GENERAL MEETING
continued

“Own name” Shareholders may also appoint a proxy to represent them at the AGM by completing the attached proxy form and returning it to BP Consulting Services at least 48 hours prior to the time and date of the meeting. If a Shareholder appoints someone other than the Chairman of the meeting as their proxy and wants the proxy to participate in the AGM, the proxy must complete and submit an Electronic Participation Form to BP Consulting Services at least 48 hours prior to the holding of the meeting.

An Integrated Annual Report updating Shareholders on key issues pertaining to the Company, dealing with certain of the matters which are to be dealt with at the AGM, together with notice convening the meeting, proxy forms, and electronic participation forms (to enable participation of a Shareholder or a proxy in the electronic meeting) will be sent to Shareholders on or about 30 October 2023.

By order of the Board

**BP CONSULTING SERVICES (PTY) LIMITED**

Company Secretaries

30 October 2023

# FORM OF PROXY

## CHOPPIES ENTERPRISES LIMITED

(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(BSE Share Code: CHOP-EQO)
(JSE Share Code: CHP)
(ISIN: BW0000001072)
**("Choppies" or the "Company")**

## FORM OF PROXY

I/we_________________________________of_______________________________being holder of ________________________________

ordinary shares of the Company, hereby appoint ____________________________________________________ or failing him/her
________________________________ or the Chairman of the meeting as my/our proxy to vote for me/us at the Annual General Meeting of the Company to be held at 14:00 on 27 November 2023 (the "AGM" or "meeting").

| | For | Against | Abstain |
|---|---|---|---|
| **Resolution 1** – To receive, consider and if deemed fit, approve the Group Audited Financial Statements for the year ended 30 June 2023 together with the Directors and Auditor's Reports thereon as well as the Integrated Annual Report. | | | |
| **Resolution 2** – To confirm the appointment of Mr Ranjith Priyalal De Silva as an independent non-executive director of the Company. | | | |
| **Resolution 3** – To confirm the appointment of Mr Andrew Dondo Mogajane as a non-executive director of the Company. | | | |
| **Resolution 4** – To re-elect and confirm, if deemed fit, the appointment of Mr Uttum Corea, who retires by rotation in terms of clause 20.9.1 of the Constitution of the Company, and being eligible, offers himself for re-election as an independent non-executive Director. | | | |
| **Resolution 5** – To re-elect and confirm, if deemed fit, the appointment of Mr Valentine Chitalu, who retires by rotation in terms of clause 20.9.1 of the Constitution of the Company, and being eligible, offers himself for re-election as an independent non-executive Director. | | | |
| **Resolution 6** – To consider and if deemed fit, ratify the appointment of Mazars as auditors of the Company for the ensuing financial year. | | | |
| **Resolution 7** – To consider and if deemed fit, ratify the remuneration paid to auditors, Mazars for the year ended 30 June 2023 as set out on page 116 of the Integrated Annual Report. | | | |
| **Resolution 8** – To approve the remuneration policy set out in section 2 of the remuneration report – page 91 of the Integrated Annual Report. | | | |
| **Resolution 9** – To approve the implementation of the remuneration policy as per section 3 of the remuneration report – page 96 of the Integrated Annual Report. | | | |
| **Resolution 10** – To consider and if deemed fit, pass with or without amendment the following resolution as a special resolution: To specially resolve in terms of section 128 of the Companies Act Cap 42:01 to pre-approve the donations of the year ending 30 June 2024 subject to these being made in terms of the Company policy, for charitable purposes and in total not exceeding 1.5 % of EBITDA for FY2024. | | | |

Each Shareholder who is entitled to vote at the AGM is entitled to appoint one or more persons as proxy to attend, speak and vote in place of the Shareholder at the AGM and the proxy appointed need not be a Shareholder of Choppies. Please read note 1 to 9 on the reverse side hereof.

Please indicate with an "X" how you wish your votes to be cast.

Signed on this ________________________________________ day of ___________________________________________________ 2023

Signature of Shareholder(s) ______________________________________________________________________________________

Assisted by me (where applicable) _________________________________________________________________________________

# FORM OF PROXY continued

**Note**

1. A Shareholder's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the AGM as he/she deems fit in respect of the Shareholder's votes exercisable thereat. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy. If the proxy form is signed under a power of attorney, it must be accompanied by a copy of the power of attorney and a signed notice of non-revocation of the power of attorney (unless the power of attorney has already been deposited with the Company).

2. The form appointing such a proxy must be deposited at the office of the Company Secretary, BP Consulting Services (Pty) Ltd, Plot 28892 (Portion of plot 50370), Twin Towers, West Wing-First Floor Fairground, Gaborone, Botswana, or by email to kakale@butlerphirieinc.com not less than 48 hours before the meeting.

3. Proxies executed by companies/organisations should be accompanied by a resolution of the organisation appointing the representative to sign the proxy.

4. The completion and lodging of this instrument will not preclude the relevant Shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.

5. The Chairman of the AGM may reject or accept any form of proxy not completed and/or received other than in accordance with the instructions provided in the notice convening the meeting and these notes, provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.

6. A form of proxy shall be valid for the AGM as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the AGM or adjourned AGM at which the proxy is to be used.

8. Where ordinary shares are held jointly, all joint Shareholders must sign the proxy form.

9. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

# ELECTRONIC PARTICIPATION FORM

## CHOPPIES ENTERPRISES LIMITED

(Incorporated in the Republic of Botswana)
(Registration number: BW00001142508)
(BSE Share Code: CHOP-EQO)
(JSE Share Code: CHP)
(ISIN: BW0000001072)
**("Choppies" or the "Company")**

Shareholders or their proxies who wish to participate in the Annual General Meeting to be held at 14:00 on 27 November 2023 ("the AGM" or "meeting") via electronic communication ("AGM participant") must notify the Company by delivering this form and supporting documents to the office of the Company Secretary, BP Consulting Services (Proprietary) Limited, Plot 28892 (Portion of plot 50370), Twin Towers, West Wing-First Floor Fairground, Gaborone, PO Box 1453, Gaborone, or by email to kakale@butlerphirieinc.com as soon as possible but no later than 14:00 on Thursday, 23 November 2023.

Shareholders are strongly encouraged to complete their verification well ahead of time.

Each AGM participant who has successfully been verified by BP Consulting Services (Pty) Ltd will be provided with the details on how to join the AGM via Zoom. AGM participants who are a proxy for a Shareholder will be presumed to vote at the meeting in accordance with the instructions for voting set out on the proxy form. AGM participants who are not proxies will be provided with a voting form. AGM participants who are not proxies are strongly encouraged to send their completed voting forms to BP Consulting Services (Pty) Ltd before the meeting. AGM participants who have not sent completed voting forms to BP Consulting Services (Pty) Ltd prior to the meeting will be able to complete the voting forms and submit the same to BP Consulting Services (Pty) Ltd by email to kakale@butlerphirieinc.com during but no later than the close of the meeting.

Reference is made to the Notice of the AGM for important information regarding participation and voting at the AGM.

| | |
|---|---|
| Name of registered Shareholder | |
| Omang/ID/Passport number/Registration number of registered Shareholder | |
| Name and contact details of CSDP or broker (if shares are held in dematerialised form) | |
| Shareholder CSD account number/broker account number or own name account number or custodian account number | |
| Number of ordinary shares held | |
| Full name of AGM participant | |
| Omang/ID/Passport number of AGM participant | |
| Email address of AGM participant | |
| Cellphone number of AGM participant | |

By signing this form, I/we agree and consent to the processing of my/our personal information above for the purposes of participation in the AGM and acknowledge the following:

1. The cost of joining the AGM is for the expense of the AGM participant and will be billed separately by the AGM participant's own internet service provider. The AGM participant is not permitted to share the link with a third party.
2. The Company, its agents and third-party service providers cannot be held accountable and will not be obliged to make alternative arrangements in the event of a loss or interruption of network activity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth, power outages or any other circumstances which prevents any AGM participant or proxy holder from participating in the AGM or voting.

Signed on this____________________day of______________________________2023

Signature of Shareholder(s)________________________________________

Assisted by me (where applicable)____________________________________

# CORPORATE INFORMATION

## Choppies Enterprises Limited

(Incorporated in Botswana on 19 January 2004)
(Registration number BW00001142508)
Plot 169
Gaborone International Commerce Park
Gaborone, Botswana

## Registered address

Plot 28892
Twin Towers West Wing
First Floor, Fairgrounds
Gaborone, Botswana
Tel: +267 316 2062

## Legal advisers

Armstrongs Attorneys
2nd Floor, Acacia House, Prime Plaza,
Plot 74538, Western Commercial Road,
Central Business District, Gaborone
Tel: 267 395 3481
Website: www.armstrongs.bw

## Botswana Group auditor

Mazars
Plot 139, Finance Park
Gaborone, Botswana
Tel: +267 395 7466

## Sponsoring broker

Stockbrokers Botswana Ltd
Plot 67978, Ground Floor, East Wing
Mokolwane House, Fairgrounds
Gaborone, Botswana
Tel: +267 395 7900

## JSE sponsor

PSG Capital
1st floor, Ou Kollege Building
35 Kerk Street
Stellenbosch, 7600
PO Box 7403
Stellenbosch, 7599
South Africa
Tel: +27 21 887 9602

## Company secretary

BP Consulting Services (Pty) Limited
Plot 28892, Twin Towers, West Wing
First Floor, Fairground
Gaborone, Botswana
Tel: +267 3162062

## Bankers

**First Capital Bank Botswana Limited**
Head Office: Capital House, Plot 17954
Old Lobatse Road
Gaborone, Botswana
Tel: +267 390 7801
Fax: +267 392 2818

**Stanbic Bank Botswana Limited**
Stanbic House, Plot 50672, off Machel Drive
Fairgrounds Private Bag 00168,
Gaborone, Botswana
Tel: +267 361 8110
Fax: +267 3618158
Website: www.stanbicbank.co.bw

**Bank of Baroda (Botswana) Limited**
Plot 1108, AKD House, Queens Road, The Mall
Gaborone, Botswana
PO Box 21559, Bontleng, Gaborone, Botswana
Tel: +267 3933773/3188878
Fax: +267 318 8879
Website: www.bankofbaroda.co.bw

**First National Bank Botswana Limited**
First Place, Plot 54362 CBD
Gaborone, Botswana
Tel: +267 370 6000

**Absa Bank Botswana Limited**
Plot 74358, Building 4 Prime Plaza
Central Business District, Gaborone
Tel: +267 395 2041/+267 363 3900
Fax: +267 397 1373

**Bank Gaborone**
Plot 74768, corner 2nd Commercial and Western
Commercial Road Central Business District
Private Bag 00325
Gaborone, Botswana
+267 367 1500
+267 390 4007
Email: info@bankgaborone.co.bw
Website: http://www.bankgaborone.co.bw

**Nedbank**
135 Rivonia Road
Sandton, Johannesburg, 2196
South Africa
+011 294 1714
Website: nedbank.co.za

**Absa Bank South Africa**
3rd Floor, Absa Ridgeside Office Park
33 Richefond Circle, Umhlanga, 4319
South Africa
+27 31 534 4016
Website: cib.absa.africa

**Access Bank Botswana Limited**
Plot 62433 Fairgrounds Office Park
Gaborone, Botswana
+267 3993300
Website: www.botswana.accessbankplc.com

**First National Bank/RMB South Africa**
1 Merchant Place
Cnr Fredman Dr and Rivonia Rd
Sandton 2196, South Africa
+27 11 282 8000
Website: rmb.co.za

**FBC Bank Limited**
108 Jason Moyo Street
11th Avenue
Bulawayo, Zimbabwe
Tel :(+263 292) 71791/717927
Email: help@fbc.co.zw
Fax: (+263 292) 76224

**Central African Building Society (CABS)**
Shop 1 & 2 Ascot Complex
Bulawayo, Zimbabwe
Tel: + 263 29 75902/75991
Email: management@cabs.co.zw

**Ecobank Zimbabwe Limited**
5 Parkade Centre, corner Fife Street and 9th Venue
Bulawayo, Zimbabwe
Tel: 292 2278912/ 2278913
Email: ecobankenquiries@ecobank.com

**BancABC Zimbabwe**
Jason Moyo Branch
Corner Jason Moyo Street and 12th Avenue
Bulawayo, Zimbabwe
Tel: +263 9 69212-3/67147-8 Ext: 9032
Email: branchx@bancabc.com

**ZB Bank**
10 Birmingham Road Belmont
Bulawayo, Zimbabwe
Tel:292 888507 Ext 3923

**Steward Bank**
7 King George Road
Harare, Zimbabwe
Tel: 086 770 04085
Email: customerservice@stewardbank.co.zw

**First Capital Bank ("FCB")**
625 Famona
97A Robert Mugabe Way
Bulawayo, Zimbabwe
Tel: 292 88304
Email: customerservice@firstcapitalbank.co.zw

**Ecocash Zimbabwe**
1906 Borrowdale Road, Borrowdale
Harare, Zimbabwe
Tel: +263 242 486121/6 114 (Toll Free)
+263 4 486120/486867
Email: ecocashhelp@econet.co.zw

**Stanbic Bank**
59 Samora Machel Avenue
Harare
Tel:+263 4 759471/9 ( Toll Fee)
Email: zimccc@stanbic.com

**CBZ Bank**
57 Samora Machel Avenue
Harare
Phone (024) 2705031-3
customercare@cbz.co.zw

**Bank Windhoek**
2nd Floor, Capricorn House
119 Independence Avenue
Windhoek, Namibia
Tel: +261 61 299 1494
Email: HillL@bankwindhoek.com.na
Email: www.bankwindhoek.com.na

**Standard Bank**
P O Box 3327, Windhoek
Namibia
Tel: +264 67 304 191
friedae.albertse@standardbank.com.na
www.standardbank.com.na

**First National Bank of Namibia Limited**
RMB Namibia
130 Cnr of Independence Avenue of Fidel Castro Street
Parkside, Windhoek
Namibia
Tel: +264 61 299 8899
robaking@rmb.com.na
www.rmb.com.na

**First Capital Bank Zambia Ltd**
Plot 4604 Ground Floor
Kwacha Pension House, Tito Road
Lusaka, Zambia
Phone: 0211 368 75
Website: www.firstcapitalbank.co.zm

**ABSA Bank Zambia**
Stand numbers 4643 and 4644
Elunda Office Park,
Addis Ababa Round About,
Lusaka, Zambia
www.absa.co.zm
Tel: +260 (211) 366100
Tel: +260 (211) 366225

**First National Bank**
Thabo Mbeki Road, Lusaka
Tel: 0211 366800
Website: www.fnbzambia.co.zm

**Zambia National Commercial Bank Plc**
Head Office
PO Box 33611, Cairo Road
Lusaka, Zambia
Tel: 0211 228 979
Website: www.Zanaco.co.zm

**Atlas Mara Bank**
Atlas Mara House
Plot 746B, Ground Floor,
Corner Church and Nasser Road,
Lusaka, Zimbabwe
Phone: 0211 257 970
Website: https://atlasmarazambia.com

# ABBREVIATIONS AND DEFINITIONS

| | |
|---|---|
| **Headline earnings per share ("HEPS")** | Headline earnings divided by the weighted average number of ordinary shares in issue during the year (net of treasury shares) |
| **HR** | Human resources |
| **IAS** | International auditing standards |
| **Integrated Annual Report ("IAR")** | A report as required by King IV, the BSE and JSE Listings Requirements and in terms of the International Integrated Reporting Framework guidelines |
| **IFRS** | International Financial Reporting Standards, as issued by the International Accounting Standards Board |
| **IT** | Information Technology |
| **JSE** | JSE Limited/Johannesburg Stock Exchange |
| **Kamoso** | Kamoso Group Africa (Pty) Ltd |
| **King III** | King Report on Corporate Governance for South Africa 2009 |
| **King IV or King IV Report** | King Report on Corporate Governance for South Africa 2016 |
| **KPI** | Key performance indicator |
| **LSM** | Living standards measure |
| **MBA** | Master of Business Administration |
| **Net assets** | Net assets are defined as non-current assets plus trade and sundry debtors plus inventories less trade and sundry creditors (accruals and provisions). For clarification income and deferred tax balances are excluded. Net assets also exclude any cash, interest-bearing liabilities and liabilities relating to leases in terms of IFRS 16 |
| **Net asset turn** | Revenue divided by average net assets |
| **Operating profit margin** | Operating profit before interest and tax as a percentage of revenue |
| **Pula Code** | Pula Code of Corporate Governance |
| **Return on equity** | Net profit attributable to ordinary shareholders as a percentage of average ordinary shareholders' interest |
| **Return on net assets** | Operating profit before interest and income tax as a percentage of average net assets |
| **Return on total assets** | Operating profit as a percentage of average total assets |
| **SA Companies Act** | The South African Companies Act, 2008 (Act 71 of 2008) |
| **SENS** | Stock Exchange News Service of the JSE |
| **SKUs** | Stock keeping units |
| **Shares in issue** | The number of ordinary shares in issue as listed by the BSE and JSE |
| **The Board** | The Board of Directors of Choppies Enterprises Limited |
| **The year** | The year ended 30 June 2023 |
| **Weighted average number of shares (number)** | The number of shares in issue at the beginning of a period, adjusted for shares cancelled, bought back, or issued during the period, multiplied by a time-weighting factor |

# ABBREVIATIONS AND DEFINITIONS continued

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|---|---|
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**www.choppiesgroup.com**

**Physical and postal address:**
Choppies Enterprises Limited
Plot 169, Gaborone International
Commerce Park, Gaborone
Private Bag 00278, Gaborone, Botswana
Tel: +267 318 6657/58
Fax: +267 318 6656

**Registered office:**
BP Consulting Services (Proprietary) Limited
Plot 28892 (Portion of plot 50370)
Twin Towers, West Wing, First Floor
Fairground, Gaborone